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ILLINOIS AGENTS CONVENTION

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WEEKLY NEWSPAPER OF INSURANCE

The NATIONAL UNDERWRITER

September 11, 1952
56th Year, No. 37

Clash in Tenn. on Publicizing Rate Filing Preliminaries

N.A.U.A. Man Takes Walk When Allen Treats "Visit" as "Hearing"

NASHVILLE—Commissioner Allen of Tennessee and National Automobile Underwriters Assn. have gotten crossways on the matter of procedure in dealing with rate filings and this controversy has been extensively publicized in the state.

In accordance with its usual procedure, N.A.U.A. had made a Tennessee rate filing by mail with an explanation of the program and proposals. Then an appointment was made with Commissioner Allen for what N.A.U.A. intended to be an informal discussion with him and his staff on the proposals, to answer any questions the department people might have and to go over the matter in considerable detail, and thresh out the various elements involved. J. M. Japenga was asigned to this task and he was surprised to find on his arrival at Nashville last Thursday morning that the whole rate filing was extensively reported in the morning newspapers. In general, incidentally, the program that was filed by mail called for a 25% reduction in auto comprehensive rates and increase of 3.4% to 6.4% in collision.

Full Scale Hearing

Then when Mr. Japenga got to Commissioner Allen's office he found a newspaper reporter there and a group representing Tennessee Assn. of Insurance Agents. Mr. Allen was apparently treating this as a full scale hearing while Mr. Japenga was looking on it as a "visit." Mr. Japenga, due to this unexpected development and the publicity which he felt was premature, got in touch with his New York office and in accordance with instructions advised Commissioner Allen that he would have to be excused from taking part in any public hearing on the matter.

Later, stating that N.A.U.A. has until Sept. 16 to enter into a hearing, Mr. Allen issued the following statement:

Commissioner's Statement

"Any time a rate filing is made with me it then becomes a public record and any hearing on the proposed rates should be open for discussion from anyone who feels he should be affected by the change whether it be a policyholder or insurance company representative. And I am not admitting or denying that the proposed decreases in comprehensive auto insurance rates are sufficient. If, after further study, we find it necessary to disapprove the filing I will immediately issue a show cause order to the association and other companies not represented by the association, ordering them to appear and show cause why our fire, theft and comprehensive automobile insurance rates should not be reduced. If I decide to disapprove the proposed increase in collision rates (he had indicated that from a preliminary investigation of the records filed in my office the proposed increases are not justified) I will then place the burden of appealing from my decision upon the association."

ADVANCE REGISTRATION 1500

Finishing Touches Put on Big Cleveland Card

Advance registrations for the N.A.I.A. Cleveland convention now exceed 1,500 and the program has been completed.

Meetings of the executive committee have been called by the chairman, Walter M. Sheldon, for Thursday, Friday, Saturday and Sunday, Sept. 18-21 at Hotel Cleveland. Members who arrive early at the convention are invited to attend the open sessions of this committee.

Entertainment will start off with the America Fore cocktail party Tuesday evening at Hotel Cleveland. At 9 p.m. Ohio Farmers will sponsor the dance in the grand ballroom of Hotel Statler.

An excellent program of entertainment has been arranged the night of the banquet Wednesday. The festivities will be held at the Cleveland Public Auditorium with the entertainment being provided by several insurance companies. Ladies will have a tour and tea at Stouffers Shakers Square Restaurant Monday; on Tuesday they will be taken to the Lakeshore Hotel for lunch, and style show. On Wednesday they will have "brunch" at the Alpine Village.

Movie Night Sunday

For the early arrivals, Sunday evening will be movie night at Hotel Hollenden. Three new films of National Board will be shown, they being "Tony Learns About Fire"; "Fire—and Your Hospitals", and "The Magnolia Story."

There will also be the premiere showing of "I Take Risks," the newest motion picture produced by Western Underwriters Assn.

On Monday the rural and small lines agents committee of Ohio Assn. of Insurance Agents will hold its breakfast in Hotel Hollenden. Members of the newly appointed N.A.I.A. rural and small lines agents committee have been invited to attend.

On Monday morning, the five territorial conferences will be held concurrently. The eastern conference, with H. Earl Munz, Paterson, N. J., presiding, will be at the Hotel Statler, while the southern conference, with Gary E. Gillis, Jr., New Orleans, presiding, will be at Hotel Cleveland. This midwest conference will be held at the Carter hotel with Harold W. Huttenlocher, Pontiac, Mich., presiding. The far west group will meet at Hotel Statler and Frank P. Middleton, Phoenix, Ariz., will preside. The Hotel Statler will also house the Rocky Mountain conference at which Howell Earnest, Santa Fe, N. M., will preside.

First General Session

The first opening general session, with President J. F. Van Vechten presiding, will commence at 2 p.m. Monday in the Carter Hotel. Following the invocation by Dr. Paul S. Kershner, First Congregational Church of Akron, Charles F. Stewart, president of the Insurance Board of Cleveland, and W. Harper Annat, director of commerce, state of Ohio, will give the welcoming talks.

Mr. Van Vechten will then give his report of the administration and will present the president's citation for achievements.

The keynote speaker will be Wade O. Martin, Jr., of Louisiana, who is president of National Assn. of Insurance Commissioners.

Proposals for constitutional amendments will be considered after Mr. Martin's address so that if they are adopted they can be put into effect immediately.

The first session of the National Board of State Directors will open on Monday at 8:30 p.m. in Hotel Hollenden, with Mr. Van Vechten presiding. On Tuesday at 8 a.m. Ernest F. Young, Charlotte, N. C., chairman, Clarence R. Rauter, director, Eugene A. Toale, assistant director, will be hosts at the educational division breakfast conference for local and state association secretaries and managers. The guest of honor will be Miss Carol Kennedy of Warsaw, Ind., who recently became the 100,000th enrollee in the N.A.I.A. educational courses.

An N.A.I.A. workshop session has been set at 9:30 a.m. in the Carter Hotel, with Mr. Van Vechten presiding. Leading off will be a discussion of an "Abbreviated Bond Manual." Purpose of the proposed manual, which was prepared in cooperation with Surety Assn. of America, will be explained by J. Kenneth Cormack, Providence, chairman of the fidelity and surety committee, assisted by David Porter, educational director of Surety Assn. of America.

Then there will be an "Educational Division Review" by Ernest F. Young, assisted by James O. Whelchel, Tulsa, and L. Allen Beck, Denver.

A panel on "Multi-peril and Package Policies" has been scheduled as part of the workshop program. Moderator will be Maurice J. Hartson, Jr., New Orleans, chairman of the property insurance committee, assisted by Morton V. V. White, Allentown, Pa., vice chairman.

Deane Merrill Leads Off

Deane W. Merrill, Newark, will give the introductory. The panel will be composed of Commissioner Cheek of North Carolina; Milton W. Mays, Insurance Executives Assn.; Roy C. McCullough, manager, Multiple Peril Insurance Rating Org.; Harry F. Perlet, manager National Insurance Service & Advisory Org.; Elmer A. Twaits, assistant secretary National Bureau of Casualty Underwriters; and Harold L. Wayne, general manager Inland Marine Underwriters Assn.

The second session of the board of state directors will open at 2 p.m. Tuesday, at Hotel Hollenden. In addition, on Wednesday morning at 9 a.m., the board will convene once again at Hotel Hollenden.

Concurrently a public relations program has been scheduled for the Carter Hotel. The first portion will be devoted to a new public relations program which has been designed by the "Trained Insurance Specialists" of New Orleans. James C. Kraus, chairman of this group, will lead a discussion.

"Public Relations Is Public Service" is the title of the New Jersey agents program for acquainting the public with its direct relationship to and responsibilty for the financially irresponsible driver, increasing insurance costs and the tightening casualty market, thus utilizing the powerful arm of public relations in the solving of these critical problems. Presiding at the discussion will be Herbert L. Brooks, East Orange, N. J.

At 10:30 a.m. Wednesday the Carter Hotel will be the scene of the metro-

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Rhea Hurd Is New Head of Insurance Advertising Group

Speakers at Pa. Meeting Urge Wider Use of "Ad" Men's Talents

By RALPH E. RICHMAN

POCONO MANOR, PA.—E. Rhea Hurd, advertising manager of American Automobile and Associated Indemnity, was elected the new president of Insurance Advertising Conference at the annual convention here this week. Mr. Hurd served the past year as vice-president and was program chairman for this annual meeting, presiding at most sessions and always with a wealth of ease and good humor. Before his turn in the navy, Mr. Hurd was associate director of advertising for American of

E. R. Hurd

W. H. Riley

Newark. He has spent 20 years in sales and advertising. His insurance heritage, too, is notable as he is the son of E. R. Hurd, retired resident secretary of Home at Chicago.

Successor to Mr. Hurd as vice-president is Irving D. Bothwell, advertising superintendent of Commercial Union-Ocean group in New York. H. V. Carlier, advertising manager of Northern Assurance, continues as secretary-treasurer, and M. C. Ellison as executive secretary.

New members of the executive committee are Richard Van Dusen, Glens Falls; Newton Hawley, National of Hartford; Norris P. Browne, Aetna Fire; and retiring president Walter H. Riley, American Surety.

Cooperation Methods Discussed

Methods of cooperating with other segments of the fire and casualty insurance business were the discussion themes at the I.A.C. sessions.

Elizabeth DeCesari of the Wilkins agency, Woodbury, N. J., a director of National Assn. of Insurance Women, spoke for women in local agencies. John V. Down, Pennsylvania state agent of Phoenix of Hartford and president of Underwriters Assn. of the Middle Department, spoke for field men. Frederick W. Doremus, secretary-manager of Eastern Underwriters Assn., spoke for the stock company management, and Harry E. McClain, secretary-manager, Indiana Assn. of Insurance Agents, spoke for agents' association members.

Miss DeCesari said the Wilkins agency sent out with all expiration notices a

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W.U.A.'s New Film Tells Background of Insurance

Western Underwriters Assn. will unveil another film explaining the fire insurance business at the National Assn. of Insurance Agents meeting at Cleveland. Called "I Take Risks," the film will be shown for the first time Sunday, Sept. 21. Like its predecessor, "Introducing the Policyman," it will be available for groups of all types, in and out of the insurance business, through the field clubs in W. U. A states. W. U. A. will also make it available in other parts of the country, on request to its office in Chicago.

Like its predecessor, "I Take Risks" is a professional job originated by W. G. Dithmer, W. U. A. assistant manager. It combines colored cartoons, partly animated, and narration in layman's language. The first part shows pictured definitions of the law of averages, difference between insurance and gambling, why certain perils are uninsurable, and an exposition of the public services of National Board of Fire Underwriters and Underwriters Laboratories.

Used with Pamphlet

The second part describes the origin and history of fire insurance, including such sidelights as old fire brigades maintained by insurers and fire marks. The last part is a boost for the modern insurance agent and his services and an explanation of how he typifies free enterprise at its best.

Like "Introducing the Policyman," the new film "I Take Risks" is designed for public consumption and can be used before service clubs, schools and civic groups. A revised pamphlet of elementary insurance questions and answers will be distributed in connection with its showing. It has a high value in insurance education and will be made available to company and agency personnel, as well. It is in 16 millimeter sound film and runs about 25 minutes.

Testimonial Dinner for Bennett at Cleveland

Following the announcement that Walter H. Bennett, general counsel of National Assn. of Insurance Agents, is retiring at the conclusion of the N.A.I.A. convention at Cleveland, the executive committee has joined with the past president in arranging a testimonial dinner honoring Mr. Bennett on 33 years of service to insurance.

This will be held instead of the usual past president's dinner, on Sunday evening, Sept. 21, at the Hotel Statler, Cleveland. In view of this testimonial, Melvin J. Miller, Ft. Worth, immediate past President, who would normally be the host at the past president's dinner, has relinquished this honor.

For this event a special dinner committee on arrangements has been set up consisting of John C. Stott of Norwich, N. Y., chairman; O. Shaw Johnson, Clarksdale, Miss.; Charles F. Liscomb, Duluth; Guy T. Warfield, Baltimore, and Allan I. Wolff, Chicago, all past presidents.

President J. F. Van Vechten will respond on behalf of the executive committee, Mr. Wolff for the past presidents, and Mr. Stott for the dinner committee.

Minn. Fair Insurance Booth Is Manned by 60

Sixty field men aided in manning the capital stock insurance company booth at the Minnesota State Fair. Six field men were present on each of the 10 days of the fair. The new Western Underwriters Assn. display that involves audience participation, was a central feature of the booth and this was the first time that it had been shown to the public.

E. E. Schwilk, America Fore (left), is shown demonstrating operation of fuseboard at Minnesota State Fair booth to Commissioner Herbert Nelson of Minnesota. J. B. Dirkers, Agricultural, president of the fire prevention association, is at right.

Then there was a fuseboard portraying the basic operation of the electrical system of a home. Operation of switches caused lights to indicate how electrical flow is imposed on a wiring system through use of various appliances. The booth was sponsored by Minnesota Underwriters Assn., Minnesota Public Relations Committee and Minnesota State Fire Prevention Assn. Almost 40,000 pieces of literature were distributed.

Field Men Keep Prevention Program in High Gear

The annual report of the fire prevention department of Western Actuarial Bureau and of the fire prevention associations in the 18 middlewestern states reporting their activities to W.A.B., shows a continuing high level of activity. A total of 86 town inspections were conducted in 1951, with 12,510 properties inspected and 40,580 recommendations made.

Field men put in 2,324 man days at inspections, but Richard E. Vernor, fire prevention department manager of W.A.B., notes that the real work was done by a less than desirable percentage of the total membership. "Further encouragement by company management of all members to do their fair share of the work would greatly increase the results and lessen the burdens of those progressive fieldmen who so cheerfully carry the bulk of the load," he states.

One hundred addresses were given to adults in connection with fire prevention activities, the total audience being 10,861. There were 305 talks to students, the audience totaling 91,324.

The town inspection program, which originated 25 years ago in the middlewest, has now become a nation-wide activity under the sponsorship of the various underwriters' associations. Inquiries recently have been received at W.A.B. from Calgary and Toronto, Can.

Inspect 10 Ohio Towns

Ohio Fire Prevention Assn. inspected 10 cities last year, with the Michigan, Minnesota and Oklahoma groups handling eight each. Indiana led in number of risks criticized followed by Arkansas and Kansas, and in number of risks inspected followed by Arkansas and Nebraska. Most total recommendations were made by the Indiana association, with Kansas second and Ohio third. The Indiana field men made the most talks to students during town inspections leading Arkansas and Ohio, but the largest adult audiences were those in Arkansas, Kansas and Minnesota.

The Arkansas field men were able to get the most newspaper publicity, 868 column inches. At their Russellville inspection, 5,000 leaflets were dropped from an airplane over school grounds. Among the special activities of the states, Mr. Vernor notes that Arkansas continues to lead in the variety of its showmanship. A demonstration was staged for 1,200 4-H Club members for the farm safety council, and at the livestock show for 21,000 persons. Twelve regional conferences were conducted for 456 junior fire marshals in the schools, and this plan is now used in two-thirds of the Arkansas school districts and is credited with lowering the number of school fires annually from 24 to 4. No major fires have occurred in schools having a junior fire marshal's organization. The National Board is making a movie of the town inspection at Magnolia, Ark., entitled "The Magnolia Story."

Ohio also came in for some commendation for its extra activities.

The staff at W.A.B. had a busy year, the highlight of this being the Memphis fire department instructors' conference.

Last year the field men and the W.A.B. staff made a total of 1,361 talks to a combined audience of 376,872. Of these, 750 were made to a total school audience of 303,470, and 611 talks to a total of 73,402 adults. During Fire Prevention Week, 424 talks were made to a total of 202,181 students and 287 talks to a total of 32,453 adults.

The report contains comments on the firemen's training staff activities, the experiments with water fog, and there is a list at the back of the officers of the various state fire prevention associations.

C.P.C.U. Course at Okla. City

Preparatory classes for parts I, II, III and IV of the C.P.C.U. course are being offered by Oklahoma University at Oklahoma City.

The movement is sponsored by Oklahoma Fire Underwriters Assn., Casualty & Surety Assn. of Oklahoma, Oklahoma Assn. of Insurance Agents, Oklahoma City Assn. of Insurance Agents and Insurance Women's Club of Oklahoma City, under direct control of an organization known as Oklahoma Insurance Study Group. Dudley G. Hunt, Jr., Springfield F. & M., is president of that group; Lew Lacy, Oklahoma City local agent, vice-president, and Charles Schaffel, local agent, secretary.

Dorchester Mutual Changes

Succeeding Frederick W. Hill as president of Dorchester Mutual Fire is John N. Tulley, Mr. Hill, who has been president 11 years, continues as legal adviser and a director. Taking Mr. Tulley's place as secretary is Francis E. Carey, who has been assistant secretary.

Mr. Tulley started with Dorchester Mutual in 1928. He was special agent from 1935 to 1940. He was in army service during the last war and he has been secretary since 1943.

M. P. Developments Now Are Expected to Speed Up

With Old and New Issues, Variation in Approach Certain

By KENNETH O. FORCE

The filing of the homeowners policy A and B in Pennsylvania by the Multiple Peril Insurance Rating Organization is expected to speed up developments in the multiperil field, where the activity has been considerable but the discussion more portentous. Several insurers have applied for membership in M.P.I.R.O. in recent weeks and other insurers, mostly medium and small sized ones, mostly fire, have indicated they intend to, so they can write the homeowners policy. Quite a number of these insurers have heretofore not overtly moved into the multiperil, multiple line field.

Undoubtedly a competitive policy will now be fashioned for placing on the dwelling market within a few months, a named peril package policy whose premium is divisible by insurer and insured, at least divisible to some extent. Homeowners A and B are named peril policies, but the premium is indivisible.

Inevitably, with the way sentiment is divided on the issues involved in multiple line - multiperil insuring, strong companies will back both the allocated premium and the indivisible premium styles of coverage. Already in the field are an all risk, indivisible premium type, Fireman's Fund special homeowners comprehensive, and the named peril, indivisible premium style, North America's homeowners policies and now the new homeowners A and B filed in Pennsylvania and Delaware.

The allocable premium policy is coming, in both commercial and homeowner fields—perhaps with a schedule of discounts geared to the number of coverages in the package grouping that insured takes. Merely to illustrate, a minimum of three might be required for a discount of 5%; four, 10%; five, 15%, etc. The composite premium would be divisible except as components of the pack are indivisible, viz., extended coverage and additional E.C.

The discount for the purchase of several coverages — a single package, or two or more sizes of package aimed at the same market — is apt to be the only single characteristic that is the same for all of the multiperil package policies of the new sort now developing.

Some underwriters regard the nonoptional feature as a necessary ingredient in such a policy; for example, the homeowners contracts in the dwelling field and the manufacturers output policy in the commercial field. Insured gets no choice as to covers. (The manufacturers output is all risk.)

Issue of Divisibility

Perhaps an even more basic division of philosophy occurs on the issue of divisibility or indivisibility of premium so far as insurer is concerned. Proponents of indivisibility argue that this characteristic permits larger savings in handling costs; that statistics can be maintained on the package as a class in itself, and that 80% of inland marine business, dollar wise, is on forms that are both all risk and indivisible.

Opponents of indivisibility, however, contend that not charging separately for perils destroys the integrity of the statistics involved and eventually, if enough indivisible premium business is written, will make useless the great body of statistics that has been accumulated on a per line basis. Windstorm only insurance, displaced by E.C., now has no statistical integrity or credibility. Any all risk contract is of course subject to this criticism. These underwriters say that with a premium that remains realistically allocable, insurer can maintain its statistics in the traditional way, tied to those previously kept. The lines of insurance will continue pure in character, uninterruptedly.

The pro-divisibilists point also to the problem of properly distributing the cost of gathering basic figures. If much business, say a substantial portion of the premiums in the dwelling field, were to go to package policies at indivisible premiums, unless some realistic formula were worked out for their distribution, the bureaus that gather statistics could not be supported on assessments made according to premiums by line.

Allocable premiums would simplify a problem faced by reinsurers, of breaking casualty, especially the third party lines, out of the package, for purposes of getting their premium and accounting for it.

The indivisible people can use statistics accumulated by the schedule people, but not vice versa, say the pro-divisibilists. The indivisibilists, of course, have their own rating bureau, M.P.I.R.O. A few big companies could make their own rates on their own packages, but the small companies would have trouble.

The differences of opinion between named peril and all risk insurance are of long standing and well known.

The all risk cover can be sold at a lower rate. Packaging perils without naming them or accounting for them by separate line, and keeping loss and expense statistics on the package rather than by individual coverages, simplifies the insurance procedure throughout and permits savings. The all risk policy produces a better spread of risk. (This

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Public Library Work in Worcester

Frank Mills of Worcester, Mass., president of the Insurance Society there, writes Insurors of Omaha: May we commend you on your excellent work in conjunction with your public library in providing insurance education material as described in editorial comment in National Underwriter.

However, in all modesty we must admit that we were a little ahead of you in promoting this type of project. A little over two years ago, in May, 1950, we discovered the insurance literature in our public library was definitely lacking in quality and in volume. At that time Worcester Board and the society as a joint project got up a fund to establish a complete insurance shelf in the public library. From this fund new books and new editions have been purchased to keep the shelf up to date.

The public library was most cooperative. They prepared a syllabus which has had wide distribution throughout the city. Copies have been furnished to local insurers, chamber of commerce, schools, colleges, civic organizations and individuals. We have had many favorable comments on the complete and excellent material now available, and the library informs us that calls for insurance literature have more than doubled since the shelf was established.

Worcester is fortunate in being the headquarters of three life insurance companies, two fire insurers and several colleges. Our next project will be the installation of insurance courses in one or more of our colleges so that students may get specialized training on insurance, and trained personnel will be available for the insurance organizations of the city.

Congratulations on this good public relations work. We hope you will have as good results from your efforts as we have had from ours.

New National Board "Ad" Campaign Is Launched

With a series of dramatic ads based primarily on public service, National Board is launching a new campaign featuring the contributions that stock fire companies and their agents and brokers make to the national welfare.

Scheduled to break this month in leading magazines, the campaign, prepared by J. M. Mathes, Inc., features page ads, with eye-catching illustrations, tell about the public service activities of the companies; show how important stock fire insurance is to the national economy; build prestige for the agent and broker and explain fire insurance coverages with which policyholders should be more familiar.

Each advertisement is divided into three sections. The first is based upon a public service theme, which, in the opening ad of the series, describes how the companies teach school children about the dangers of fire. Subsequent ads will tell how fire insurance "makes your home safer to live in;" how it "stops fires before they can start;" how it "helps you to buy wisely;" how it "puts the finger on the fire bug;" and so on.

The second series ties the fire insurance business and its agents and brokers into the free enterprise system by pointing out that they "must give full value—or they won't stay in business. And it's from such private enterprise that every local community prospers."

The last section discusses some aspect of fire insurance and urges the reader to find out more about it by consulting local agents or brokers.

The ads are scheduled for the Saturday Evening Post, Colliers, Look, Pathfinder, Better Homes & Gardens, Farm Journal, This Week Magazine, American Press, Editor and Publisher, National Publisher, and Publisher's Auxiliary. Mats of each ad and related news stories are being made available to agents and brokers so that they can use local newspapers to tie into the national campaign.

Give Card for Big U. & O. Day in N. J.

Plans have been completed for the big one day session on business interruption and time element forms Oct. 21 in Newark, sponsored by New Jersey Special Agents Assn. The morning will be devoted to sales and underwriting and the afternoon to contract interpretation and loss adjustments. At the luncheon, Dean Harry J. Loman of American Institute, will present C.P.C.U. diplomas.

On the morning program is Henry C. Klein, secretary, New York Underwriters; Nick Dekker, secretary America Fore group; Frederick W. Doremus, manager Eastern Underwriters Assn.; Leo E. Kietzman, secretary American; Leon A. Watson, manager Fire Insurance Rating Organization of New Jersey; and H. Earl Munz, Paterson, chairman Eastern Agents Conference.

On the p.m. panel are George S. Jones, executive general adjuster General Adjustment Bureau; P. B. L. Carden, assistant general adjuster of National Board; Addison Roberts, vice-president Fire association; P. M. Winchester, general manager eastern department of G.A.B., and Garret W. Roerink, analyst of American, who is the moderator.

Southwestern Hail Assn. Unit Formed at Dallas

The southwestern adjustment committee of Hail Insurance Adjustment & Research Assn. conducted its organization meeting and election at Dallas this week. This is a regional committee for the states of Texas, New Mexico, Oklahoma and Arizona, with membership comprising hail adjusters and others in the crop-hail business in the area. A number of officials of the parent organization attended from Chicago.

The committee organization is in line with the expanded activities of the H.I. A.R.A. This is the second regional committee to be formed, following the lead taken on the Pacific Coast.

Woodman Rejoins Associate

W. E. Woodman has returned from duty with the navy, where he served in an air fighter squadron over Korea, and has rejoined Associated Aviation Underwriters. Mr. Woodman was in the Chicago office before being recalled to duty, but now has been assigned to New York in an underwriting capacity.

GOVERNMENT AS INSURER

Technics of Insurance and Subsidies Used to Expand

The federal government's insurance activities, when put together, show a pretty clear pattern of drift toward more and more government performance of the function of an insurer in providing the loss-spreading or reserve accumulation techniques which are the heart of private property insurance and of life and annuity insurance, A. L. Kirkpatrick, manager insurance department of U. S. Chamber of Commerce, told International Assn. of Insurance Counsel.

Some people believe it is a proper function of government to assume the risks of life which confront individuals and businesses. But they have not given much thought to the fact that the underwriter of risks must have the right to prescribe the terms of the underwriting. And when the underwriter has the power of the government, there is an inevitable surrender of individual freedom which many believe is far more dangerous than the original hazard.

Part Insurance Plays

What is the part insurance is playing in the current drift toward socialization of business in the United States? Will government assume the risks of life by the socialization of insurance?

If by "socialization" is meant an act of Congress by which the federal government would take over the ownership and control of some or all of the private insurers, perhaps issuing government bonds in payment for them, Mr. Kirkpatrick thinks the answer must be "no."

"But if by socialization you mean the continued expansion of the federal government, or a combination of federal and state governments, into the use of insurance techniques combined with subsidies, then I think the answer to the question must be that socialization is not only under way, but is already well advanced and is progressing at an alarming rate."

That answer may come as somewhat of a surprise because nearly every insurer—fire, casualty and life—is now handling about all the business its facilities permit.

The insurance people are so preoccupied these days with the pressure of problems demanding immediate solution that they have had little time to take a long-range look at some of the things going on outside of their immediate business until they reach a point where they affect pocketbooks or company balance sheets.

Commodity Credit Corp.

He noted the insurance technique of Commodity Credit Corp. The corporation's loan agreement with farmer borrowers provides that in the event the commodity, stored on the farm and pledged as collateral for the loan, should be destroyed by fire, the corporation will cancel the loan. This is fire insurance though no policy is issued as such and no premium paid.

Economic Cooperation Administration, now Mutual Security Administration, has been using a similar technique in connection with marine insurance on shipments abroad financed by its loans. (U. S. Chamber of Commerce has been assured by the State Department that efforts will be made to end this discrimination.)

MSA makes dollars available to a foreign government, which, in turn, makes them available to its importers. The importers use the money to buy goods in this country and to pay for them. The foreign purchaser is able to control the placing of the insurance and it has been common practice to make sure it was placed in their domestic companies, leaving U. S. insurers out completely.

The policy, of course, is written in the currency of that country and, in the event a shipment is lost, the foreign insurer pays the loss in the same currency. That puts the foreign purchaser and his government right back where they started, without the goods and without the dollars to repurchase them.

The MSA technique meets that need. At the next quarterly allocation of funds it allows that country enough additional dollars to cover the loss and charges the extra allocation against the overall program. This means simply that MSA spreads the losses of the few over the many. That is insurance by definition. And without the MSA performing that insurance operation, the foreign governments and their insurers would not have been able to force the U. S. marine insurers out of that market.

Where does this kind of government thinking and planning lead?

Department of Defense is now spending at the rate of about $50 billion a year. A large part of these billions is to pay for materials purchased on a cost-plus basis in which the government reimburses the contractor for specified insurance costs according to a predetermined formula. Does it require much imagination to visualize the thinking of CCC and ECA invading the Department

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Pennsylvania Assn. Elects Aulehbach at Largest Meeting

Coe, Willison Named Vice-Presidents; Thumma, Moses Reelected

WERNERSVILLE, PA.—Pennsylvania agents association concluded one of its largest and most successful conventions at Galen hall. Harold C. Aulehbach, Reading, was elected president, succeeding W. J. Zwinggi, Pittsburgh. Howard S. Coe, Philadelphia, and Lawrence D. Willison, Jr., Williamsport, are the new vice-president. C. M. Thumma, Harrisburg, was reelected treasurer, and Frank D. Moses, Harrisburg, was reelected secretary-manager.

Outstanding feature of convention was report by local boards and field men of excellent progress in the experimental, joint public relations program started this year by the Pennsylvania Assn. and Eastern Underwriters Assn. Highway safety, a new feature of program received the endorsement and cooperation of the governor's highway safety council.

The resolution urges property and casualty companies to adopt the same type of institutional advertising now carried on by life companies.

Accidents Endanger Auto Business

It is no longer a matter of "something should be done about automobile accidents," Commissioner Leslie declared. It is now a must. The situation must be corrected or the automobile casualty insurance business will die. This is not fantastic. Rates are going up and up, unavoidably so, since every insurance commissioner is charged with the responsibility, along with others, of making reasonably sure that insurers licensed to do business in his state will be solvent so as to be able to pay the claims of policyholders.

Conceivably, insurers can be priced out of the market. It will mean a substantial loss of income to agents. More important, it will mean that government operated compulsory insurance will take its place, with the accompanying creation of more government bureaus, higher taxes and more socialism, all of this repugnant to the fundamental principles of American economy.

The blame can be placed on inflation. The average B.I. claim paid by insurers increased 55% and P.D.L. claims 125% between 1940 and 1950. But this does not tell the whole story. There is a large part of the public that believes compulsory automobile insurance is the answer to the problem. Mr. Leslie thinks their conclusions are based on a lack of knowledge of the facts. No one has taken time to tell them the full story. Rates in Massachusetts have followed the same trend as in every other state. Compulsory insurance is not the answer.

What Agents Can Do

What is the solution and what can agents do about it? He declared that agents are the most powerful force to win this life and death struggle. They are the connecting link between insured and insurers. They know the needs and wants of clients and understand the problems of insurers. They must preach the gospel of highway safety continuously and everlastingly, he declared. They must impress their customers with the fact that every automobile accident hits the pocketbook.

If every auto owner or operator were made to understand that insurers do not want higher rates than are absolutely necessary to defray loss and expense costs and provide a reasonable profit, he would have a clearer understanding of the problem. If he could be made to understand that the man behind the wheel makes the rates, progress will be made. Policyholders should know about the high verdict situation and its influence on rates. Impress upon clients, he urged, that any evaluation of injuries should be fair to all parties.

He recommended the association set up a bureau of speakers covering every part of the state, the bureau to contact schools, churches, service and other clubs and arrange to have members listed for speeches on the national highway accident problem. The department will be glad to cooperate in such a venture, in gathering and preparing data. In addition the agent must talk to clients, friends and the man on the street. If this program is carried out, agents will be saving lives and safeguarding their livelihood.

Also Urges Agent Program

Stanley Cowman, Mather & Co., Philadelphia, chairman of the public relations and catastrophe loss committee, urged an industry meeting to tackle the automobile accident problem in Pennsylvania. With all interests represented—insurers and agents, state government, truckers, automobile clubs, radio and television stations, newspapers, churches and others — a thorough discussion would, he believes, produce a program that could prove astonishing in results. Pending a decision on such a conference, Mr. Cowman's committee recommends a grass roots program of the agents' own.

The agents can become important factors in reducing the needless waste of life and property, he said. It is a public relations responsibility of agents. The Pennsylvania senate last December passed a resolution directing an investigation into certain phases of public liability and property damage insurance, and the House in Washington adopted a resolution to investigate safety matters, compulsory liability insurance, etc.

Favors Strict Enforcement

Agents can, he said, if they organize locally in a drive on this problem, do a great deal of good. He suggested calling on enforcement officers and convincing them agents will back up real enforcement 100%. Agents must sell clients on the need for strict observance of traffic laws. Churches can help — the number of automobiles parked illegally by persons attending services will surprise any observer. In talks with insured and before organizations, the point should be brought home that juries spend the public's money, not that of insurers. He suggested the playing of a record an hour or two every day in the Pennsylvania turnpike restaurants, a record emphasizing safety, perhaps by the governor.

Other Suggestions

Among other suggestions he mentioned a movement to raise the driver age limit to 21, periodic driver examinations, a discussion of the problem of the increasing speed built into cars, possibly limiting recovery for tort deaths in Pennsylvania as 14 other states have done.

He asked if agents had lost any business to non-agency or mutual companies. He cited the figures for the 12 largest writers of automobile B.I. and P.D.L. in Pennsylvania. Six non-bureau companies wrote in 1949 \$19,858,749, while six National Bureau of Casualty Underwriters companies wrote \$14,109,721. In 1950 these figures were \$32,468,365 for eight non-bureau companies and \$12,249,476 for four bureau companies. In 1951 seven non-bureau companies wrote \$32,763,180 and five bureau companies wrote \$16,370,525.

He urged agents not to be timid about asking a fair price for their product. Agents are entitled to a fair service fee and the companies to a profit, he said. Here is an opportunity to save lives and

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KLEIN TELLS AGENTS

Should Sell More Business Interruption; How Do It

Though Pennsylvania ranks third in the amount of time element premiums produced in 1950, latest year for which National Board figures are available, and the percentage to total is 3.2, slightly more than the national ratio, H. C. Klein, secretary New York Underwriters, told a forum at the convention of Pennsylvania Assn. of Insurance Agents, there is great need to improve this record. He suggested a program for achieving the improvement.

Lack of knowledge of the form is apparently the number one deterrent to sale of the coverage. To understand the cover well enough to sell it, an agent must first be convinced there is a need for it and know how it meets the need, he said.

How to Start

Therefore, Mr. Klein recommended, agents should look around the business districts of their communities. Stores, markets, theaters, restaurants and other businesses are established to produce earnings and profit from the capital invested. Only U. & O. protects business earnings against complete or partial stoppage which results when the premises are destroyed or damaged.

The agent can determine for himself which businesses in his community cannot afford to be without business interruption, he added. First are the many one-man businesses because to the sole proprietor of a business, small or large, his take home earnings are in most cases the sole support of his family, maintenance of his home and the means of paying taxes, interest on indebtedness, education of children, life and accident premiums and recreation. For him U. & O. is living standard insurance.

These things are true also of each of the members of a partnership and of each of the officers of a corporation. Tragically many small and medium sized businesses, especially mercantile, are being neglected for U. & O. by agents.

Even a Beginner Can Sell This

He urged agents recommend U. & O. to every mercantile business in his community. The simple gross earnings form No. 3 is made to order for mercantiles; a beginner can sell it, and the vast majority of merchants who have purchased U. & O. have bought that form because of its simplicity. Agents can cut their teeth on it. They will then be better prepared to tackle non-manufacturing and manufacturing businesses.

Mr. Klein related the experience of a southern field man. Merchants in a North Carolina town had been victimized by an out-of-town salesman, and the merchants' association had bulletined a warning to members. When a merchant being solicited by the field man threatened to call the police, the field man voluntarily went to the chief, who required him to satisfy the association that what he was selling is not a fraud. This the field man easily demonstrated to the officers of the group, who thereupon purchased the coverage on their businesses, absolved the field man from the charge he was a city slicker selling gold bricks and inserted a strong endorsement of U. & O. in the next issue of their bulletin.

"Complication" Compared

Complicated rules and forms are cited as the No. 2 deterrent to the sale of U. & O. True, he said, the rule book contains 24 pages on U. & O., but there are 127, or five times as many, devoted to property damage insurance, and agents are not deterred from selling it thereby. There are equally complicated rules and forms for automobile, casualty and life insurance, but agents sell a lot of them.

Having mastered the simple terminology used in U. & O., such as net sales, which are gross sales less the sum of outgoing transportation expense, returns, discounts and allowances to customers, the agent must know that a U. & O. insurable interest exists wherever there is an interest in the earnings derived from a business occupancy or from the use of or dependency upon certain objects or property irrespective of ownership. Time plays an important part. Though earnings for 12 months are the basis of the contribution clause, the amount of insurance needed should be determined also by the loss sustainable in the time required to rebuild, repair and replace, in case of a total property loss occurring during the busiest time of the year.

Simply because 50% of 12 months is six months, it does not follow that gross earnings insurance of 50% of annual earnings will always be exhausted in a complete business suspension of six months. Where earnings are steady, insurance of 50% of annual earnings is generally sufficient to cover the loss sustained during a period longer than six months, the excess time depending upon the salvage in discontinuable expenses. Where earnings fluctuate by season, or are concentrated in a single season as in the case of a canner, 50% insurance may be exhausted in much less than six months. Here more insurance than 50% of annual earnings should be carried. The same principle applies to the two

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Underinsurance Trend Is Accented by Sampling

The president of a fire insurance company, prompted by a recent article dealing with underinsurance on dwelling risks, has given to THE NATIONAL UNDERWRITER *copies of letters he recently wrote to the insurance commissioner of his state on this topic. They follow in large part:*

You will recall our discussion last week on the subject of underinsurance which currently exists. You mentioned the fact that property owners do not realize the extent to which construction costs have advanced.

I have made a survey of actual loss claims involving my companies and they indicate that underinsurance is a very real thing. Examination was made of 106 claims and the proofs prepared by various adjusters show total valuation of properties involved of $977,890 with insurance in force of $642,475. The amount of loss paid was $288,271. The ratio of insurance to value is 65.7% as against a normal and expected 80%. If the insurance on each of these buildings had been increased to 80% of the value there would have been an increase of 21.8% in the amount of premiums collected. While these figures cover only those cases where fire losses were paid of $500 or more it can be safely assumed that they represent a cross section of the business and that the same degree of underinsurance exists generally.

Perhaps it may appear on first glance that the percentage of underinsurance is not as bad as you thought, but it must be borne in mind that these figures are the grand totals of all policies involved and included in the lot are many risks where adequate insurance was maintained. On the other hand, there were many claims which developed conspicuous underinsurance and I would like to quote a few examples:

Values	Insurance	Values	Insurance
$50,000	$20,000	$10,000	$ 3,000
24,000	10,000	50,465	25,000
40,000	20,000	13,305	4,000

It will be observed that on this group of risks the insurance to value was only 43.7% and I can greatly extend the list as there were many policies for smaller amounts which indicated the same degree of underinsurance, but I felt that quoting a few prominent examples would be all that is necessary to prove the point.

Samples Not Hand Picked

The claims used in the study were not hand picked but are all the claims occurring during the first six months of 1952 which had been adjusted and paid. The only claims eliminated were those where coinsurance clauses are attached and it is interesting to see that out of 11 claims involving coinsurance there was a sufficiency of insurance in every case. Out of total loss payments of $470,406 there was not one dollar of penalty applied due to failure to comply with coinsurance clause. This proves to me that agents who recommend the coinsurance clauses to their customers and property owners who agree to such clauses know what they are doing and see to it that the proper amount of insurance is carried.

A separate study was also made of hail and wind claims under E. C. endorsements. There were so few of these involving amounts more than $500 that all claims were included in the study and examination of 124 sets of current claim papers shows total valuation of $1,041,535 with insurance of $731,000, which is 70%. If the amount of insurance had been 80% in each case, the premiums produced would have been 14.3% higher than actually received.

I have been wondering why the fire claims indicate shortage of 14.3% whereas E. C. claims have a shortage of 10%. My conclusion is that the adjusters were not too careful in setting down the valuations of the property involved in E. C. claims because there was no special need for them to do so. Most of the claims were small and on dwellings and in the absence of coinsurance clause there would be no particular reason why an adjuster should spend a great deal of time figuring the sound value of the properties, and I think that in many cases they merely made an offhand guess which was probably low. The same thing does not apply to fire because the fire losses were much larger and it was necessary for the adjuster to go into the question of valuation in a more thorough manner. I think that the figures concerning valuations as appearing in proofs on large fire claims are the result of careful study and calculations, and if the same degree of care and study had been given to the E. C. claims, the percentage of underinsurance would have been approximately the same. But even if a shortage on E. C. is only 10% as indicated, it is still a great factor in the premium volume.

The importance of these figures lies in their effect upon size of losses to be paid in the future. At the beginning of World War II insurance to values were pretty well in line and the loss ratios for 1942 and 1943 were favorable. However, prices began going up and the loss ratios did likewise. The insurance industry put on an intensive campaign to educate the public on increased costs and to persuade them to carry adequate amounts of insurance. The campaign was successful to the degree that the loss ratio declined, and things were again on a pretty even keel. However, the Korean incident started a new rise in prices and there has been no corresponding increase in amounts of insurance, so we now find ourselves facing a new cycle of higher loss ratios.

Then there was a letter a week later reading:

We have been talking about the underinsurance which is so prevalent at this time and how the owners of the older homes who have not had occasion to check construction costs fail to realize the extent to which such costs have advanced. The newer homes are pretty well insured, usually at the insistence of some mortgage company, but on the older homes it is hard to get the owners thereof to believe there is any such increase in costs as has actually occurred.

Apparently this same inability extends to many local agents although probably not to the same degree. Formerly local agents' preliminary estimates of loss were high, and they preferred to err by over-reporting a loss than by under-reporting. Then, too, they wanted to "give the adjuster a chance." It appears that the trend has changed and agents are now under-estimating losses, which proves to me that the agents themselves do not realize the extent to which construction costs have increased.

The following figures were taken from recent proofs, the figure under "estimate" being the amount of the loss as originally reported by the agent and the second column being the actual payment as agreed upon by the adjuster. This is just a partial list to prove the point and could be greatly extended if it would serve any purpose to do so.

Town	Estimate	Actual Payment
Austin	$1,500	$3,661
Crowell	500	818
Amarillo	400	932
Mineral Wells	1,500	2,480
Dallas	200	510
Dallas	6,500	13,500
Ft. Worth	3,000	4,169
Pearsall	1,000	2,566
Tyler	750	1,800

Insurance Women of Milwaukee will hold the annual membership tea. The club will be host to women employed in insurance work and not now members of the group.

Hemispheric Rally Has Representation from 16 Countries

The Hemispheric Conference at New York this week was well attended and attracted considerable interest. Sixteen countries were represented. The meeting was sponsored by U. S. Chamber of Commerce. There were 120 persons in the foreign delegation. The banquet was Thursday evening. John A. Diemand, president of Insurance Co. of North America, was host, assisted by Laurence F. Lee, president of Occidental Life of Raleigh and Peninsular Life of Jacksonville, and president of U. S. Chamber of Commerce.

James S. Kemper, Lumbermen's Mutual Casualty, presided at the opening general session, and in his talk he urged all hands to unite against further socialization of insurance. He said that the luxury of a loosely run economy cannot much longer be afforded. The nation must not tolerate politicians who give lip service to free enterprise and at the same time support policies that lead to socialism.

Mr. Kemper said that nations of western Europe are on the downgrade, but in this young virile forward-looking hemisphere there is a tremendous opportunity to build the strongest economy in the world. He said that 10% of the grants to Europe if invested in Latin America, would have been a tremendous force.

Mr. Lee, who addressed that session, said that modern life insurance salesmanship has been a powerful force in promotion of individual thrift. Insurance executives have a deep sense of trusteeship and these factors provide a bulwark of defense whenever the life insurance business has been under attack or threatened by government intervention.

Addressing a later session of the conference, Mr. Lee said western hemisphere nations should reduce entry requirements to a minimum and simplify still further the requirements for travel permits.

Col. and Mrs. Howard P. Dunham entertained the Hemisphere ladies at tea and cocktails at their suite at the Waldorf Astoria, followed by a dinner at the University Club and a visit to Radio City Music Hall. Col. Dunham is retired vice-president of American Surety.

A motor trip to West Point, with luncheon at a famous tavern nearby, was taken Wednesday. On Thursday there is a visit to the United National building with luncheon in the delegates' dining room. Later there will be dinner at Sardi's, and then attendance at the performance of "The King and I."

Frazar B. Wilde, president of Connecticut General Life and president of American Life Convention, presided at the luncheon Tuesday which was addressed by Jorge Bande, manager of "La Chilena Consolidada" of Santiago, Chile, and professor of insurance at University of Chile, and by Herbert A. Schell, chairman of U. S. section of the Inter-American Council of Commerce & Production.

Much of the conference general program dealt with the problem of governmental encroachment in the insurance business, especially in Latin American countries. However, the panel sessions got down to the practical insurance working level and attracted good crowds from the American sector of the business.

Attendance is about twice the first conference in 1946.

Preliminary festivities included a tea on Sunday at which A. L. Kirkpatrick, manager insurance department U. S. Chamber of Commerce, was host. Official delegates attended a dinner Monday.

A. Herrera Salcedo of Mexico, one of the chairmen of the fidelity and surety panel, was held up by storms and didn't reach New York.

Cottonseed Products Men Form Insurance Committee

The recently established insurance committee of National Cottonseed Products Assn. held its first meeting at Memphis Sept. 2. Committee members are: Ben R. Barbee, chairman, Western Cottonoil Co., Abilene, Tex.; C. W. Wallace, Union Oil Mill, West Monroe, La.; W. T. Melvin, Planters Cotton Oil Co., Rocky Mount, N. C., with insurance advisers, John Adams, Adams & Porter, New York, and J. E. Johannesen, Cornwall & Stevens, New York.

The committee was established because of the expressed need on the part of some members of the industry for united action in dealing with current insurance problems. "It proposes to study (1) the obtaining of sufficient insurance coverage and limits, (2) fire rating structures, (3) general standards for fire protection and prevention, (4) general standards of accident prevention and protection, and (5) adequate representation before various insurance company organizations and state rating agencies."

The committee agreed that it would coordinate its activities with other agencies and organizations working in the same and related fields.

Advocates United Front of Stock and Mutual Men in Me.

A. M. Dodge of Portland, in his presidential address at the annual meeting of Maine Assn. of Insurance Agents, at Rockland, expressed the hope that a consolidation might be brought about of the Maine agents' association and the Maine Mutual Agents Assn. Most of the agents represent both stock and mutual companies. There is nothing to prevent a mutual agent from belonging to the Maine agents association, he said, and there is nothing in the activities of the association that could be construed as taking sides in the stock versus mutual arguments. The insurance business should have a united front to the public, he declared, and at least if there is not to be a merger, the two groups ought to be brought closer together. In legislative matters and in questions pertaining to the furtherance of the agency system, the interests of the two groups are one.

The agents, he said, ought to cooperate with Pine Tree Field Club in town inspections, safety programs and public relations. Agents ought to do a lot of missionary work on automobile rates to let the public know that these costs are entirely in control of the motorist just as much as the steering wheel of the car is in the control of the driver.

Commissioner in Dual Role

On the subject of state insurance, he expressed an opinion which he said is personal to him and that is that it is questionable for the insurance commissioner's office to act in the dual role of insurance buyer and at the same time policeman of the rules and rates under which the purchase is made. "No wonder the commissioner at times has found himself in an ambiguous and untenable position," he said. "Continuance of the present practices could make the state insurance a political football if it is not already that."

He suggested that the local agents association should set up the machinery for handling all of the state insurance. Part of the commissions could be dedicated to a state-wide safety program. The association budget could be taken care of as well.

He emphasized that Richard B. MacLennan, who has been acting as executive secretary since June 1, is serving on an interim basis until the association selects a permanent man for the job. Mr. MacLennan is on leave of absence from John C. Paige Co. and at no time since June 1 has he done any work for that agency. Mr. Dodge said there has been some misunderstanding on that score.

A new screening committee has been appointed and Mr. Dodge solicited members that have any suggestions to come forth with them.

Pa. Approves Two Homeowners M. L. Policies

HARRISBURG, PA.—Commissioner Leslie has authorized two multiple line homeowners policies, at rates about 20% below tariff, to become effective immediately. The filing was made by Multiple Peril Insurance Rating Organization, on behalf of its member and subscriber companies.

The policies are designed to cover, for a single premium on a named peril basis, those normal hazards encountered by a person who owns his own home and lives in it. One policy offers a broad coverage for fire and additional extended coverage, while the other provides a more limited coverage for a lower premium. The term of both policies is for three years. Premiums may be paid annually at an additional charge to the policyholders.

In approving the filing, Commissioner Leslie said that "from the viewpoint of the insurance-buying public, there is a demand for 'package' policies such as this, not only because of the convenience to the insuring public of a single policy in place of several separate policies, but, also, because of the saving in company expense, which is reflected in reduced premiums."

Minn. Tax Issue Settled

ST. PAUL—A gift tax dispute covering several years and involving the estate of the late Charles W. Sexton, prominent Minneapolis insurance executive who died more than 30 years ago, has been settled. Previous to his death he had given $80,000 to each of his three daughters who later created trusts giving their parents a life interest in the securities which had been turned over to the daughters. The state tax department claimed that the gifts should have been taxed $15,640 when made in 1917 and with interest at 7% this ran up to $49,580. The state this week agreed to accept $18,500 in full settlement.

Hawkeye-Security Names Wadsworth at Indianapolis

Frank H. Wadsworth has been appointed Indianapolis manager of Hawkeye Security. He succeeds Ninian J. Orn, resigned.

From 1932 to 1939 Mr. Wadsworth was with Rough Notes Co., primarily concerned with fire and casualty publications. In 1939 he left to join Foster & Messick, Indiana managers of U. S. F. & G., as assistant superintendent of the fidelity and surety department.

In 1943 he went with the Loyalty group as special agent for Commercial and Metropolitan Casualty. Three years later he joined Ohio Casualty as special agent for southern Indiana and in 1949 his territory was extended to cover the entire state.

STOCKS

By H. W. Cornelius, Bacon, Whipple & Co., 135 So. LaSalle St., Chicago
Sept. 9, 1952

	Div.	Bid	Asked
Aetna Casualty	3.00*	95	97
Aetna Fire	2.25*	56	57½
Aetna Life	2.50*	94½	96½
American Alliance	1.50*	34	35½
American Equitable	1.50	28½	30
American Auto	2.00	45½	47½
American (N. J.)	1.00	26¾	27¾
American Surety	3.00	52	54
Boston	2.60*	70	Bid
Camden Fire	1.00	24	25
Continental Casualty	2.50*	81½	83½
Crum & Forster Com.	2.00*	42	44
Fire Association	2.60	63	65
Fireman's Fund	1.60	56	58
Firemen's (N. J.)	.80	27	28
General Reinsurance	1.20	35½	37
Glens Falls	2.00	61	63
Globe & Republic	.80	15½	16½
Great American Fire	1.50*	37	38½
Hartford Fire	3.00*	149	151
Hanover Fire	1.60	38½	40
Home (N. Y.)	1.80	38½	39½
Ins. Co. of North Am.	2.50*	81	83
Maryland Casualty	1.00	24¼	25¼
Mass. Bonding	...	22	23
National Casualty	1.50*	28	Bid
National Fire	2.50*	69½	71
National Union	1.80	42½	43½
New Amsterdam Cas.	1.50	38	39½
New Hampshire	2.00	44	45½
North River	1.20	29	30½
Ohio Casualty	1.20	65	67½
Phoenix, Conn.	3.00*	103	106
Prov. Wash.	1.50*	30	31½
St. Paul F. & M.	.80	35	36½
Security, Conn.	1.60	37	38
Springfield F. & M.	2.00	53	55
Standard Accident	1.60	37	38½
Travelers	14.00*	663	670
U. S. F. & G.	2.00	56½	58
U. S. Fire	1.40	44	46

*Includes extras.

Ore. Also "Secedes" on Commission Negotiation Issue

Phil Gould of Bend Named President at Portland Annual Meeting

PORTLAND, ORE.—Phil Gould, Lumbermens Insurance Agency, Bend, was elected president of Oregon Assn. of Insurance Agents at its meeting here. Harold B. Larson, Portland, retiring president, was elected to succeed Charles H. Huggins, Salem, as state national director, and Marshall Brown, Portland, was placed in line for the presidency next year as chairman of the executive committee. The executive committee will be appointed by the new officers. E. M. Stadel, Portland, was reappointed executive secretary. More than 350 registered, plus ladies. A resolution was adopted calling for conversion of the Oregon association's accident prevention program to an all-industry basis and all segments of insurance were invited to participate. The association pledged "financial support to the fullest extent of its resources to continued development of an all-industry accident prevention program."

Balk on Commission Action

Another resolution identical to that adopted by Washington convention three weeks earlier put N.A.I.A. on notice that it was to make clear to all parties with whom its representatives consult on acquisition cost loadings that N.A.I.A. is not speaking for the Oregon association.

Commissioner Taylor said the trend away from the term rule and issuance of long term policies will soon disappear. The consequencies are reduced income and increased expenses. Other trends and consequences cited were continued agitation for small deductibles, increased agitation for compulsory auto insurance, which will require vigorous counter action in the form of effective accident curbs.

William H. Kinsey, attorney; A. J. Snow, manager Oregon Rating Bureau, and Marshall Brown presented a panel comparing the advantages and disadvantages of valued U. & O. and admitted forms. The principal advantage cited under the valued form is that proceeds from insurance can be treated as capital gain, whereas admitted forms put insured in the position of having to report proceeds as income. However, advantages of the admitted form are that insured is able to keep fully covered at all times.

One entire afternoon was devoted to accident prevention and auto rate panel, featuring Secretary of State Newbry, who cited Oregon auto accident statistics as being "not good but not too bad as compared with other states." Oregon results would have been poorer but for vigorous accident prevention inaugurated by agents and others.

Thomas O. Carlson, National Bureau of Casualty Underwriters, spoke on the auto situation and the agent. Marland K. Strasser, coast accident prevention chief of Association of Casualty & Surety Companies, gave a realistic approach to the auto accident problem, stressing the need for creating a sound attitude on the part of motorists. Paul Warren, assistant secretary of state, told of the expanding driver training programs in schools.

The banquet Sept 9 wound up the convention with Commissioner Taylor installing the officers.

Underwriters Eye Theaters Closely

Recent reports show that the total number of theaters operating has increased in the past year, compared with the preceding 12 months. However, underwriters report that drive-ins have gained 828 and conventional type have lost 749. Attendance nationally has declined 40% in five years, primarily due to TV and drive-in competition, inferior productions, high taxes on admission, overhead and other factors.

The situation is being watched closely by underwriters. Some of them point out that large modern fireproof theaters that play first run pictures and were built to do so are top flight building risks in spite of the fall off of business. It is the second run houses in mercantile sections that are hard hit and here underwriters are being cautious.

First run neighborhood and shopping center theaters, ones that are both fireproof and joisted, generally are put down for a company's normal lines, at least at present. Second run neighborhood houses, especially those that are closed, are inducing real worry.

It is interesting to note that theaters patronized by Negroes are still enjoying fairly good business, and drive-ins are prosperous, though fire protection and susceptibility to wind damage make underwriters cautious.

Venerables Are to Meet

During the time of the big mutual insurance conventions at Philadelphia the week of Oct. 12, there will be a luncheon meeting at the Philadelphia Contributionship for the officers of the older mutual insurance institutions such as Mutual Assurance Society of Virginia, Cincinnati Equitable, Bucks County Contributionship, Baltimore Equitable and Mutual Assurance of Philadelphia.

"Ad" Men Name Hurd as President

(CONTINUED FROM PAGE 1)

proposal on some additional form of insurance giving exact limits and exact premium cost. These, sent out well in advance of expirations, sell much new insurance, she reported, and at the same time afford protection for the agency against the charge of failing to offer customers information on covers.

All premium increases are explained by an enclosure. Automobile liability increased limits and additional extended coverage are constantly emphasized by envelope fillers.

I.A.C. speakers should find a place on the programs of field men's organizations and at educational courses in short college courses for operating agents, Mr. Down said. He urged that I.A.C. take a more active part in urging all parts of the insurance business to publicize catastrophe loss service. Radio, television and newspapers could all be used, he said, to explain how to get ready for adjusters, how to safeguard damage of property from further loss, how to assure that hardship cases receive first attention.

He asserted that I.A.C. could find fertile field for good public relations efforts with boy scouts, adjusters and with field men when making town inspections.

Mr. Doremus praised I.A.C. for broadening its program to enter active cooperation in selling the service and meaning of insurance and in going beyond techincal aspects of type, layout and advertising production detail.

Publicize the Record

I.A.C. can help, he suggested, sell the $50 windstorm deductible extended cover, publicize the record of paying out $180 million in 1½ million claims on the big November windstorm without an insurance department anywhere receiving a justifiable complaint.

He explained E.U.A. functions and organization, efforts to learn more about selling business interruption insurance to small business houses and the joint test on handling catastrophe problems being undertaken with 38 local boards in Pennsylvania. Should that prove successful, the methods of that test will probably be applied nationally, he said.

Harry McClain, at the banquet Monday said I.A.C. could aid him and the other 26 state association managers by helping to make available to agents a local advertising program for the use of their members. More requests for such a program have been received from Indiana agents than from any other, and he reported Indiana agents are working on fire prevention and safety in nearly all the 60 local boards of the state.

The state association employed a full time safety director last March. His efforts have resulted in 37 local boards of the state pledging personal work plans plus $80,000 for safety education in their communities. Mr. McClain urged companies to use their advertising to sell themselves to their agents who gather and direct the insurance premiums into the home office. Too many companies, he said, are not striving hard enough on that job. He declared this is the time for all agents and companies to keep collections under tight control. He cited three agency failures in Indiana during the last two weeks as a warning.

Management "Ad" Conscious

The interesting insurance advertisements of the present day "seem to reflect a growing awareness by top management of the importance of 'telling the insurance story' to the public" Walter H. Riley, American Surety, president of I.A.C., told the group at the banquet.

Insurance advertising has made a great deal of progress since I.A.C. was organized 30 years ago, Mr. Riley remarked. I.A.C. came into being just following the period when "tombstone" advertising had been the fashion and was followed by a period of advertising so called "firsts." Some companies were first in size, others had the largest number of agencies or wrote more lines of business. In the midst of this type of advertising, Mr. Riley recalled that one company came out with the statement that it made no claims to having a first on anything, but did want to impress the public with the fact that it was one insurer that offered the kind of service that agents, brokers and the public want and enjoy.

That advertisement was the forerunner of the new style in insurance advertising so that "today you will find in many consumer and business magazines insurance ads that are so cleverly written and illustrated that they often make much more interesting reading matter than the editorial or news articles alongside of them. No one can say exactly how large a part the I.A.C. has played in this, but we do know that it will continue its efforts in that direction."

Taking up the internal problems of I.A.C., Mr. Riley said that the members are concerned about the relative anonymity of the organization. The executive committee is taking pains to see that I.A.C. becomes better known, and in fact "so widely known for advertising skills that the various organizations of the insurance industry would think of I.A.C. immediately whenever considering any plan involving advertising, publicity or public relations. That would be the sort of recognition that would seem to be due naturally to an organization such as I.A.C.," he commented.

Norris P. Browne, Aetna Fire, reported many entries already known for the 1952 awards to the local agencies or brokers doing the most useful advertising. He urged all members to stimulate additional entries before the end of the year.

Get Pa. Accident Data

Lt. Elmer Faber, public relations officer of the Pennsylvania state police, speaking Tuesday morning, placed teen agers as second to the 20-24 age group for automobile accident involvement in that state. The 19 and under age group holds 6.4% of the licenses and accounts for 7.5% of the travel but they are involved in 10.3% of the fatal travel accidents and 10.4% of all accidents. The 20 through 24 age group holds 11.2% of the licenses and accounts for 17.5% of the travel, but is involved in 21% of the fatal accidents and 17.7% of all accidents of those arrested by the state police. The 19 and under group was involved in 6.8% of the violations while the 20 through 24 group was involved in 21.4% of them. Lt. Faber said the long range answer is driver education. Trained teen age drivers studies indicate the educated driver is from two to three times as skillful as the untrained driver of the same age.

Discuss Youthful Driver Problem

Paul B. Cullen, superintendent of the public education department of Aetna Casualty, pointed to the youthful driver as the best and brightest hope for future traffic safety, outlined why he believed this to be true and the methods to help bring it about.

Katherine Schecter, Carlisle, Pa., high school graduate, advocated driver training for more teen-agers. She had this in Carlisle and believes this was of great value in making the boys and girls safer risks on the highways.

Adults can do much to control boys and girls from early morning joy riding by closing up places where liquor is illegally served to minors by devising some new form of punishment for the youngsters violating good driving habits, she said.

Suggests Rate Explanation

She also suggested that an insurance man be asked to explain to high school students the relation of the auto driver to the cost of insurance for their parents. Miss Schecter's father then suggested that advertising men dramatize that parents should let children drive oftener under the supervision of the parents.

Mr. Hurd then suggested that all insurance companies might well advertise accident prevention together for a period of six months. The impact would be terrific, he said.

Registration reached 111 at the Pocono Manor conference. A last act of the convention was to adopt a memorial resolution on the death of Ed. Smith, deceased vice-president of the Weekly Underwriter. Retiring President Walter Riley was given a framed testimonial of regard from the organization.

Watson Toledo Agency V.-P.

Marion T. Watson, in insurance work 32 years, has been elected vice-president of the Huebner-Cavanaugh Co. agency of Toledo. Keith B. Knight, recently returned from the army, was elected secretary-treasurer. John J. J. Huebner is president.

Incorporate Safety Crusade

Articles of incorporation have been filed by the "Crusade for Highway Safety in Wisconsin" with the secretary of state at Madison. The incorporators, widely known Milwaukee agents, are Val Gottschalk, William C. Carney and Clarence Gollusch, all members of the Milwaukee Board and of the executive committee appointed to start the safety campaign.

U. S. Court Upholds Agent in Expiration Ownership Case

RICHMOND, VA.—The U. S. appellate court last week held that a Richmond local agency was the owner of all expirations on policies written with a Pennsylvania mutual insurance company, although the contract between the agency and the company had been terminated.

The ruling reversed the decision of Federal Judge Sterling Hutcheson in the case of V. L. Phillips & Co., Inc., the Richmond agency, versus Pennsylvania Threshermen & Farmers' Mutual Casualty.

The Phillips company, which had built up the premium volume of Pennsylvania Threshermen in Virginia to $1,250,000 annually when the contract was terminated June 23, 1950, had asked the district court here for a summary judgment. Judge Hutcheson ruled for the company, and the agency appealed.

The appellate court held that, under the contract between the company and the agency, the agency was the owner of all expirations on insurance policies and that the company had no right to them. The court quoted the contract, which stated that "in event of termination of agreement . . . the agent's record, use and control of the expirations shall be deemed the property of the agent and left in his undisputed possession . . ."

The contention of the company that the agency's subagents owned the policy expiration rights was discounted by the court, which said: "To allow the contention of the defendant (the insurer) would result in its reaping where it did not sow and to unjustly enrich itself to the impoverishment of the plaintiffs."

Robt. Harris Heads H. C. Hare Co.

Robert A. Harris has been elected president of the Jacksonville general agency of H. C. Hare Co. He takes the place left vacant by the death of N. T. Joost. Named as executive vice-president is Hobart H. Joost, who is the son of the late president.

Mr. Harris was employed by H. C. Hare in 1920 as an office boy. He saw service in every department of the office including several years in field work. When the corporation was formed in 1946 he was made vice-president and earlier this year was promoted to executive vice-president.

Hobart Joost started with the organization in 1940 and after war service returned in 1945 and has worked in every branch of the business including special agency development work.

Bergen Joins U.S.A. in Mich.

M. C. Bergen has been appointed manager for Detroit and eastern Michigan for Underwriters Service Assn. of Chicago with headquarters in the David Stott building, Detroit. He was with Michigan Inspection Bureau at Detroit for a number of years in both the sprinklered and unsprinklered departments, and more recently he has been doing fire protection engineering in a general agency position. With U. S. A. he takes the place of the late W. Leo Friedman.

Writing More Cover of One Insured in Single Policy

One underwriter observes that more agents today are writing single policies for the insurance of one insured. Because of the shortage of help, agencies, particularly small ones, are getting away from a custom that at one time was fairly prevalent, of writing a $25,000 dwelling, for example, in five policies of $5,000 each. This was considered good business on the agent's part as a way of distributing his volume. But to hold down work and expense he is now writing much of his fire business in single policies and dividing the policies among his insurers.

Leaves Mich. Department

Theodore Best has resigned from the Michigan department's examiner staff with which he has served since 1945. He has not announced his future plans. He was honored at a farewell party and was presented a gift of fishing tackle.

Sees Deductible Simply as Offset to TV Antenna Risk

(From a company executive.)

I was interested in your reporting of the $50 deductible in Oklahoma on windstorm and hail contracts in the Aug. 28 issue.

There is an old saying that figures don't lie but liars can figure. I am not making any insinuations in that respect but I have always been skeptical of reading statistics with "ifs" when these ifs are made a part of them.

Coming to the point, it is estimated that the loss ratio for this coverage in Oklahoma in the years '42 to '51 would have been less if the $50 deductible had been in effect during that period, and here is where I do not share that optimistic point of view because it seems to me that the benefits anticipated by the $50 deductible clause will be largely offset unless television antennae are excluded as $50 is just about the cost for their installation.

I appreciate that my theory is not entirely free of some ifs also because it is based on the assumption there is going to be television antennae attached to every dwelling on which a loss is sustained, plus the assumption that the antennae will be damaged, but I think it is pretty reasonable to believe that in the event of a substantial tornado, a very sizable number of antennae will be demolished.

There are wiser heads than mine who is counteracted to a large degree if not lieve that unless they exclude damage to television antennae in all parts of the country as is done in some states, the value of the $50 deductible clause is counteracted to a large degree if not voided. I, therefore, do not believe there would have been the saving these figures show.

Possibly there is no television in Oklahoma as yet but, if not, my views still apply in the states that do have them.

Shield to Talk on Quakes

John E. Shield, structural engineer, formerly with the Pacific Board at Los Angeles, will speak at the Sept. 15 meeting of Southern California Fire Underwriters Assn. on earthquake phenomena and structural resistance to earthquake damage.

W. Va. President

Frank S. McIntosh of the Staats-McIntosh agency of Huntington, W. Va., is the new president of West Virginia Assn. of Insurance Agents.

NEWS OF FIELD MEN

Four Named in America Fore Changes in Midwest

America Fore has made a number of changes in the Ohio, Kentucky and Indiana fields.

Charles C. Schreiner has been named special agent for Continental in Ohio, assisting E. B. Birong, state agent, with headquarters in Cleveland. Mr. Schreiner has been in the western department office at Chicago.

David A. Yeiser, Jr., has been named special agent for the fire companies in Kentucky, associated with Frank B. Adcock, special agent, with headquarters at Lexington.

E. P. Carson, state agent in Indiana for the Continental and American Eagle, has transferred to the engineering department at Chicago, and he will be succeeded in that field by Roger S. Olsen, who has been with the company for many years, since leaving the navy in 1946, as state agent in Ohio.

Clarence D. Brown, Jr., is being promoted to state agent for Continental in Ohio to succeed Mr. Olsen there. He has been in the field for several years following his graduation from Illinois Tech, and experience with Ohio Inspection Bureau.

E. J. Dickey, Jr., Is Joining Agricultural; to Be at Atlanta

Ervin J. Dickey, Jr., of Atlanta has joined the Agricultural, of which his father is chairman. He has been in the insurance business since his release by the navy after the last war, and for six years has been with the Atlanta office of Appleton & Cox.

E. J. Dickey, Jr.

Mr. Dickey will spend the rest of the year at the home office and about Jan. 1 will return to Atlanta to become associated with State Agent N. B. Browne in supervising Georgia and Alabama. He is a graduate of Riverside Military Academy, Gainesville, Ga., and University of Virginia.

American Names Three in Middlewestern Territory

American of Newark has made three appointments in the middle western territory.

Thomas A. Rutter has been appointed staff adjuster at Flint, Mich. For several years he has been with a local adjusting company there.

John Waters has been named special agent in northern Illinois to assist Frank L. Macleod. He replaces James Hunt who has been transferred to North Dakota. Mr. Waters was in the merchant marine during the war and has had six years of insurance experience, the last four with American in the western department at Rockford, Ill.

Mr. Hunt is a graduate of Iowa State University and is a navy veteran. He has had experience in the western department office, and the home office multiple line training school and in the Illinois field. His new headquarters will be at Fargo.

Review Rule Book Changes

Sunflower Blue Goose puddle resumed its luncheon meetings at Wichita Sept. 8 with Ewing B. Fergus, Kansas Inspection Bureau, as discussion leader on Kansas rule book changes.

Boyd Named in Canada

Springfield F. & M. group has appointed Frank R. Boyd as special agent in Ontario, his territory being the area adjacent to the city of Toronto. Mr. Boyd, after about 3½ years with the Canadian air force, attended University of Toronto. He began his insurance career at Toronto and in 1950 joined Springfield as a senior fire underwriter.

Hear Grand Nest Reports

The Austin puddle of the Alamo Blue Goose heard Aubrey Reilly, Texas Insurance Checking Office, its big toad, and H. G. Reinhackel, Austin general agent, report on the grand nest meeting.

Simpson Joins Glens Falls

Glens Falls has appointed Frank W. H. Simpson as inspector for eastern Ontario, including the city of Hamilton. He will assist George B. Kenney, manager at Toronto, in the development of fire and allied lines.

Mr. Simpson is a native of England. He attended Cheltenham College and Sidney Sussex College, where he received honors in engineering. From 1939 until 1945 he served in the royal air force, and after his discharge went to Hamilton, where he opened his own agency.

W. H. Faulkner, Iowa Dean, Is Feted on Retirement

Walter H. Faulkner, dean of Crum & Forster's western field men and dean of all field men in Iowa, was feted at a dinner at Freeport, Ill., Monday. He is retiring Sept. 30 under the company's pension plan. He started with Crum & Forster in 1912. He helped the late Fred M. Gund in the pioneering days of the western department. He is credited with having given W. A. Seely, the present Crum & Forster western manager, his early training.

Gow to Speak at Luncheon

George Gow, chief newscaster of radio station KANS, Wichita, winner of the gold medal award of National Board in 1949 and 1950 and runner-up in 1951, will be luncheon speaker at the inspections of Kansas Fire Prevention Assn. at Harper Sept. 24, and Kingman Sept. 25, and also will give the noon "newscast" of KANS before the luncheon audiences by remote control from the Wichita studio.

Fireman's Fund Tex. Changes

Weldon L. Moore, formerly special agent, has been promoted to loss superintendent for Fireman's Fund in the Texas division at Dallas for fire, auto physical damage and marine. Taking his place in the field is Boyette A. Hasty, Jr. He is a graduate of University of Georgia, and for several years has been Texas senior fire examiner for Fireman's Fund.

Carpenter Ore. Special

Hartford Fire has appointed Richard T. Carpenter special agent in Oregon with headquarters at Portland.

He has been with Oregon Insurance Rating Bureau as a surveyor for 2½ years. He attended Portland University and University of Oregon.

Mayflower Names Two in O.

Mayflower of Columbus has named Harold Hartman and John Owen as state agents in the Ohio territory. Mr. Hartman will have headquarters at Columbus and service 28 counties east and southeast of that city. Mr. Owens, who for several years has been adjuster, will supervise Delaware, Madison and Franklin counties.

Ohio Speakers to Hear Guy

Allen C. Guy, Columbus manager of Western Adjustment, will address Ohio Stock Fire Insurance Speakers Assn. Sept. 15 on these points: Tenant's insurance from the legal standpoint. When is an improvement a trade fixture? Does the lessor's "landlord's" insurance cover improvements and betterments? Does the improvements and betterments new form change the situation?

Webb to Tennessee Field

Aetna Fire has appointed John B. Webb as special agent in Tennessee, associated with George L. Frank, state agent, with headquarters at Nashville. Mr. Webb graduated from the University of Tennessee and was a high school teacher before joining Aetna, where he has worked in the underwriting department in the western headquarters at Chicago.

Sovinsky Named in Cal.

William P. Sovinsky has been named special agent and engineer in the Sac-

ramento Valley territory for National Union. He replaces John Niven, who has resigned.

Mr. Sovinsky has been resident engineer at San Francisco. His insurance experience includes a term with Pacific Fire Rating Bureau. During the war he was in the army for seven years.

Aetna Names Smith in Conn.

Paul O. Smith has been named special agent in southwestern Connecticut for Aetna Fire. He replaces Ernest F. Todd, Jr., who recently was transferred to Maine.

Mr. Smith was graduated from Middlebury College. He joined Aetna in 1951 following service in the air force. He has received intensive training in the New England department of the home office.

Emmett Cox of the fire prevention department of Western Actuarial Bureau will spend the week of Sept. 28 in Kansas, addressing school and adult groups at Dodge City, Newton, Salina, Topeka and Kansas City under auspices of Kansas Fire Prevention Assn.

COMPANIES

Plus Factors for Home at Mid-Year

The midyear statement of Home shows handsome gains both with respect to volume and profit. The volume of net premiums written was the greatest for any six-month period and its assets and surplus to policyholders were the largest ever reported. Also there was an underwriting profit amounting to $1,264,757 as against an underwriting loss of $4,359,909 in the parallel period last year.

The six-month premium figure was $97,249,304 which was an increase of about $4,200,000 or 4.5%. The assets were $386,079,639 and surplus to policyholders was $165,465,629 as compared with $160,351,447 at Dec. 31.

Investment income was $4,908,033 and net income before provision for federal income tax was $7,240,776 compared with $6,791,837. After provision for taxes the net income was $6,567,956.

The ratio of losses incurred to premiums earned was 53.9 as against 60.3 for 1951, ratio of expenses incurred to premiums written was 40.6 as compared with 40.

Security Gives Mid-Year Figures

Security of New Haven, reporting at midyear, shows assets of $28,785,731, premium reserve $13,623,957, capital $3 million and net surplus $6,912,063, the latter being a decrease of $312,934 from Dec. 31. Net premiums written were $7,388,135, premiums earned $6,860,201, losses incurred $3,218,934, loss expenses incurred $364,176, other underwriting expenses $3,069,329. Net income after federal income taxes incurred was $302,327.

The subsidiary Connecticut Indemnity had assets $15,597,835, loss reserve $2,839,942, premium reserve $6,689,705, capital $1½ million and net surplus $3,353,151, a decrease of $176,075 from Dec. 31.

Premiums written were $4,555,731, premiums earned $4,128,500, losses incurred $2,020,875, loss expense incurred $370,025, other underwriting expenses $1,874,436. The net income after federal income tax is $64,556.

Gulf Adds to Space

A building owned by Gulf at 3015 Cedar Springs, Dallas, is being remodeled to provide additional office storage and parking space. It was formerly used for living quarters. It will provide 4,000 additional feet of space and there will be a covered 50 foot passage from this to the main office building at the second floor level.

CHICAGO

W. A. Alexander to Open Suburban Policy Writing Unit

W. A. Alexander & Co. agency of Chicago will decentralize a portion of its clerical operations with the opening Sept. 15 of a policy writing branch in suburban Downers Grove.

The agency has leased 3,500 square feet in the Dicke building in the suburb, 22 miles southwest of Chicago. Modernization of the space has been completed, including installing of asphalt tile floors and soundproofed ceilings. Typing of renewals on automobile and fire policies will be partially transferred to the new branch.

"The move was determined upon after careful study of the employment situation in the entire Chicago area," Wade Fetzer, Jr., president, said. "We found that while competent clerical and stenographic help is rather scarce in Chicago, there is a reservoir of high-grade potential employes in the suburbs. Many of these people for one reason or another are unwilling or unable to make a long trip into Chicago to work each day. However, they welcome the opportunity to work near home under pleasant working conditions."

Richard S. Schmidt, who has been assistant supervisor of policy writing, will be supervisor of the Downers Grove branch. The new office will employ seven persons initially, with more to be added with a month, according to present plans.

C.P.C.U.'s MAKE PLANS

The Chicago chapter of C.P.C.U. at its meeting this week discussed plans for its series of meetings this fall and winter. Gerald Myers, W. A. Alexander & Co., chairman of the seminar committee for the national C.P.C.U. convention, outlined the program that has been prepared for that meeting at St. Louis.

HAASE, MEYER FORM OFFICE

Robert C. Haase and Melvin E. Meyer have formed an adjusting firm at Chicago under the name of Haase, Meyer & Co. The new firm is successor to W. J. Colford-R. C. Haase, Inc. and will occupy new and larger offices at A-722 Insurance Exchange building.

Personnel of the new company will be identical with that of W. J. Colford-R. C. Haase, and it will continue to handle fire, inland marine, burglary and bond claims.

NEW YORK

BROKERS' DINNER

General Insurance Brokers Assn. of N. Y. will hold its annual dinner in New York City Oct. 29. It is at this affair the organization awards its gold medal to the individual rendering outstanding service to insurance during the year.

HOME EMPLOYES GARDEN SHOW

The annual garden show of the 59 Maiden Lane Club, employe organization of Home, was conducted this week on the roof garden of the company's home office. Prizes awarded were for the best individual entries of flowers and vegetables, and for the most attractive flower arrangement.

EDITORIAL COMMENT

Walter Bennett—A Sturdy Symbol

THE NATIONAL UNDERWRITER enthusiastically joins the chorus of praise and good wishes for Walter H. Bennett that arises from the announcement that he is retiring from administrative connection with National Assn. of Insurance Agents after 32 years. Mr. Bennett is a reassuring figure and it is good that he is going to keep in circulation in the insurance world in pursuit of his new assignment to write the history of N.A.I.A. Walter Bennett has been a sturdy symbol for N.A.I.A. and as such he has served a psychic purpose in days of division and discord in the organization, even though he was not in command. He has supplied the continuity when it was most needed. His endurance alone has been a fine asset. He has possessed wisdom and patience superior to the friction of the moment. He now steps aside at a time when the organization is in good hands both as to its secretariat and as to its volunteer leadership. Mr. Bennett has a plentiful supply of what a man at his stage of life wants most and that is good friends and we extend to him our best wishes for his continued good health so that he may relish those associations.

Need of Some Good Definitions

Practitioners in the business occasionally suggest the need for sharper definitions of the terms used there. For example, what does "deductible" mean, today? What it means in automobile collision, or with windstorm portions of extended coverage? What it signifies as a feature of major medical expense plans, or as the distinguishing element in the giant sized deductible on property coverages by North America. Consider also the medium sized deductible of Chubb & Son, the deductible on the mutuals' all risk endorsement, etc.

Currently, however, the need seems to be sharpest for defining work in the multiple peril field. Exactly what is the multiple peril package policy itself? There will undoubtedly have to be a legal definition which pins down the kind of insurance it is. Is it insurance against loss from perils of any type by means of a single contract and for an indivisible premium? Or, to embrace all forms of M.P. packages that have been or will be developed, isn't it insurance against loss from perils of any type by means of a single contract?

Another suggested definition; An M.P. coverage is a policy or endorsement issued by one insurer to provide, as a minimum, a combination of kinds of insurance which (1) would not have been permissible prior to multiple line legislation or (2) encompasses coverages in the jurisdiction of separate rating organizations as traditionally operated.

The M.P. package is probably what insurers, those who buy it, the losses, and time make of it. It is sure to be several things.

Components of the M. P. policy, such as "non-optional", "indivisibility of premium", etc., may not be all new, but some of them may need redefining. Named peril policies can have indivisible premiums or allocated premiums. It has not yet reached the point where the all risk policy has a divisible premium, but perhaps that will come by way of a realistic formula.

What about adverse selection and spread of risk? The two resemble each other. But selection is adverse where some members of a group are much more, perhaps exclusively, susceptible to a peril, compared with other members of the group, but they alone try to get coverage against that peril at a rate based upon experience, for the entire group. When members of a group are all more or less susceptible to a peril, there is spread of risk. The larger the number that insure the better will be the indication of the total group experience and the more accurate and stable the rate based on such figures.

Spread of risk probably should be spread of hazard and the package policy called multiple hazard instead of multiple peril. Risk is used to indicate the chance of loss and also the insured or at least the insured property or insured hazard.

Peril is the ultimate cause of loss, such as wind, or fire. Hazard is a condition under which property or person operates, or it is an activity which creates the peril. If a loss is caused by fire, it is a peril, but it rises in the stove, which is a hazard.

It is hazardous for the lay mind to continue such a discussion; it is in peril of sinking into utter confusion.. But hopefully the business will, in the heat of all its pressing problems, hammer out definitions which are sound and certain and which will help clear thinking?

PERSONAL SIDE OF THE BUSINESS

John Cosgrove, secretary of American, substituted for Roy Duffus, Rochester, N. Y., agent, at the recent advanced agency management school at University of Connecticut, Storrs.

H. T. Cartlidge, retired deputy U. S. manager of Royal-Liverpool, who has been changing addresses frequently, now is located at 211 Harbor Drive at Sarasota, Fla., and this, he vouchsafes, has become his permanent address.

Harry K. Coffey, manager of Mutual Benefit H. & A. and United Benefit Life at Portland, Ore., has been reelected president of National Aeronautics Assn.

G. Donald Barr, special agent for Maryland Casualty with headquarters at Wichita, was married at Cimarron, Kan., to Marian Roberts, who has been connected with Cimarron Ins. Co. Mr. Barr's father is Paul Barr, who is vice-president and western manager of Hanover. His grandfather is G. W. Barr, who is a veteran local agent at Oelwein, Ia.

Stewart B. Hopps, former head of the Rhode Island and now chairman of U. S. Marine & Foreign Securities Corp., is building a $250,000 home on Belvedere Island in San Francisco Bay. This was extensively publicized in the San Francisco Examiner Sept. 2. Mr. Hopps commutes every week by air to New York. The house is built on three levels and there is a flying cantilevered deck. There are outdoor barbecue pits, conservatories, Japanese garden from the San Francisco exhibition in 1939, there are two swimming pools and two natural waterfalls. The construction has been under way for a year.

Clifford F. Couey, who was elected regional vice-president of Washington Assn. of Insurance Agents at the recent Yakima convention, underwent a gall bladder operation and is making a rapid recovery. He is now at home at Spokane. Mr. Couey was taken ill just prior to the Washington convention and was unable to be present.

Robert H. Oppenheimer of the Oppenheimer Bros. local agency of Kansas City held a cocktail party at his home for about 50 insurance men and their wives, to meet Ingolf H. E. Otto, new professor of insurance at University of Kansas City.

C. Lawrence Leggett, Missouri insurance superintendent, and Mrs. Leggett celebrated their 35th wedding anniversary with a dinner for a group of friends at Jefferson City.

Thomas J. Kimla of the Kimla & Wickert agency at West Bend, Wis., was injured in a crash near Rosendale, Wis., with a car that was driven by one of his insured. Both he and the insured were taken to a hospital at Ripon.

C. L. Morris, general manager of Illinois National Casualty, was general chairman for the family picnic of Ansar Shrine at the Fair Grounds at Springfield, Ill., Sunday.

A wedding that is scheduled for Sept. 18 at Chicago will unite two prominent personages in the insurance business not only in Illinois, but nationally. That will be the marriage of **Harry H. Fuller** and **Lillian L. Herring.** Mr. Fuller is the manager of the midwestern branch of National Bureau of Casualty Underwriters and is a former deputy U. S. manager of Zurich. He is known from coast to coast among other things because of his great and skillful picture taking activity at insurance meetings, especially those of the insurance commissioners and National Assn. of Insurance Agents. He is presently president of Insurance Federation of Illinois and Mrs. Herring is the executive secretary of that organization. She has for a good many years been at the heart of insurance doings in Chicago and Illinois. Formerly, she was secretary of Illinois Assn. of Insurance Agents, as well as looking after the Federation headquarters. She is acquainted nationally through attendance at N.A.I.A. meetings.

Walter A. Hanson, Milwaukee, special agent of U. S. F. & G., and Miss Patricia Ann Snell were married at Madison, Wis. Both are graduates of University of Wisconsin.

Walter A. Robinson, Ohio superintendent, was given a surprise luncheon at Columbus in commemoration of his birthday. The affair was arranged by his secretary, Mrs. Vera White. Forty persons were present and Mr. Robinson was presented a wrist watch band. The governor sent a message of congratulations and good wishes. Mr. Robinson has been in the department many years and is very popular with his staff.

Among the district governors of Rotary International for the 1952-53 fiscal year are **Robert E. Bobo,** local agent at Clarksdale, and a former president of Mississippi Assn. of Insurance Agents and Yazoo Delta Agents Assn., and **Charles A. Boyer,** owner of the Barnes & Barnes agency at Manistee, Mich.

W. B. Ward, manager of Indiana Audit Bureau, and Mrs. Ward were passengers on the Princess Kathleen that ran aground and sank off the Alaskan coast. They notified relatives at Indianapolis that they escaped without injury.

Elmer D. Becker, president of Lyman, Richie & Co. agency of Chicago, was honored by associates at a luncheon marking the beginning of his 50th year with the firm.

Frank C. Gittinger, San Antonio local agent, was elected first vice-president of the Catholic Verein of America at its St. Louis convention. He secured the 1953 convention of the organization for San Antonio.

O. K. LaRoque, chief deputy commissioner for North Carolina 1928-1935, has been elected president of the Federal Home Loan Bank of Greensboro. He served as president of the Home Loan Bank in 1945-48 when it was located at Winston-Salem.

Dudley F. Giberson, local agent at Alton, Ill., is co-chairman of the drive for the Alton Civic Orchestra season and Mrs. Giberson is organizing the personnel for this endeavor.

So. Cal. Conferment Oct. 9

Pacific C.P.C.U. chapter will hold its all-industry luncheon for conferment of the designation on a large group of southern Californians at Los Angeles Oct. 9.

Dr. Clark Kerr, chancellor of University of California, will be the speaker.

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CHICAGO 4, ILL.—175 W. Jackson Blvd., Tel. Wabash 2-2704. O. E. Schwartz, Chicago Mgr. A. J. Wheeler, Resident Manager.

CINCINNATI 2, OHIO—420 E. Fourth Street, Tel. Parkway 2140. Chas. P. Woods, Sales Director; George C. Roeding, Associate Manager; George E. Wohlgemuth, News Editor; Arthur W. Riggs, Statistician.

DALLAS 1, TEXAS—708 Employers Insurance Bldg., Tel. Prospect 1127. Alfred E. Cadis, Southwestern Manager.

DES MOINES 12, IOWA—3333 Grand Avenue, Tel. 7-4677. R. J. Chapman, Resident Manager.

DETROIT 26, MICH.—1102 Lafayette Bldg., Tel. Woodward 3-2826. A. J. Edwards, Resident Manager.

KANSAS CITY 6, MO.—605 Columbia Bank Bldg., Tel. Victor 9157. William J. Gessing, Resident Manager.

MINNEAPOLIS 2, MINN.—558 Northwestern Bank Bldg., Tel. Main 5417. Howard J. Meyer, Resident Manager.

NEW YORK 38, N. Y.—99 John Street, Room 1103, Tel. Beekman 3-3958. Ralph E. Richman, Vice-Pres.; J. T. Curtin, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad Street, Room 1127, Tel. Pennypacker 5-3706. E. H. Fredrikson, Resident Manager.

PITTSBURGH 22, PA.—503 Columbia Bldg., Tel. Court 1-2494. Jack Verde Stroup, Resident Manager.

SAN FRANCISCO 4, CAL.—507 Flatiron Bldg., Tel. Exbrook 2-3054. F. W. Bland, Pacific Coast Manager.

DEATHS

STUART M. ALBRECHT, 42, Indiana state agent of Phoenix of London group, died at Indianapolis. He had been in the Indiana field for nine years, and before that was with Phoenix in the Chicago office. He was a past president of Indiana Fire Underwriters Assn. and prominent in the other field organizations.

A. DAVIS GALE, who was vice-president of the Cleveland Insurance Agency, died at the age of 47 while playing tennis at Cleveland. He was a doubles partner of David S. Ingalls, who was in charge of Senator Taft's campaign for the Republican presidential nomination. Mr. Gale had been vice-president of the Gale company for 25 years and this was merged last November with Cleveland Insurance Agency.

MATTHEW KELINER, 79, local agent at Buffalo for 52 years, died suddenly. He formerly was in partnership with his brother, the late John S. Keliner.

ALBERT L. ALLEN, president of the local agency at Harrisburg, Pa., bearing his name, died at his home at the age of 65. He assisted in establishing the state insurance funds in Massachusetts and New York and later in Pennsylvania, and then in 1919 he established his own agency. He was a director of Columbus Mutual Life.

Mr. Allen was a past president of Harrisburg Insurance Agents Assn.

DUDLEY H. LUCE, 63, retired state agent of Providence Washington in Michigan, died at Ford hospital, Detroit, following an operation. He retired in 1950 after 26 years with the company in the Michigan field.

Mr. Luce since his retirement has been living at Alpena in the northern peninsula. He was widely known in the Michigan field, since his entire business life had been spent in field work in that territory and since he was a member of a well-known insurance family. His father, the late Charles H. Luce, was for many years state agent in Michigan for Phoenix of Hartford, and a brother, Howard L. Luce, is in the insurance business at Cleveland. A son, Charles C. Luce, is general agent in the Pacific department of Phoenix of Hartford at Los Angeles. Dudley Luce started his insurance career with the James A. Jones agency of Detroit in 1909, representing Granite State. In 1911 he went in the Michigan field with Equitable F. & M. and Phoenix of Hartford, going with Providence Washington in 1921.

ROBERT W. NEAL, who was a pioneer insurance publisher and editor at San Francisco, died recently. He had the old Pacific Underwriter for many years and also published material known as "Neal's Charts."

JOHN W. THOMPSON, who had been in the insurance business at New Orleans 45 years and for the past 32 years had been with C. A. Sporl & Co., Inc., died at Baptist hospital in his city at the age of 60. He was vice-president of the Sporl agency. He was a past-president of New Orleans Golf Assn. and of Audubon Golf Club. He strongly supported the Sporl softball team that was insurance league champions and he had been awarded a plaque by the players last year for his support.

EMMIT S. KINNEY, 79, local agent at Des Moines, died at his home of a heart attack. He formerly was secretary of National Life of Des Moines.

AUSTIN J. McLEAN, 47, claims attorney for Michigan Mutual Liability and president of Lansing Adjusters Assn., died at Lansing after four months' illness. He had been with Michigan Mutual Liability since 1929, having headed its Toledo claims department for 13 years before returning to Lansing in 1947. He was a graduate of Detroit College of Law and served in the coast guard.

HERBERT R. BOYD, 41, marine special agent of National Union Fire at Detroit, died suddenly. He had spent his entire insurance career with National Union, serving in various capacities. Early in 1950 he was assigned to the Wayne County department at Detroit.

EDWARD H. HORNBOSTEL, 80, who retired in 1943 as state agent in New York of Loyalty group, died at Brooklyn. His first experience in the field was with National Liberty when it was Germania. He served in the field for many years and then became general adjuster. His travels in the field took him to Vermont and Canada where he became head of the Canadian department. At one time he was with Fuso, Japanese company, in the east. He was a past president of Underwriters Assn. of New York State.

THEODOSIA D. MOREHOUSE, wife of Philip T. Morehouse, assistant secretary of Surety Assn. of America, died Sunday at her home at Brooklyn after a long illness.

JOSEPH H. CAHILL, 59, head of the fire department of the Thomas North Adjusting Co. of Chicago, died Sunday of a cerebral hemorrhage. He had been with the North organization for three years and before that was with the Factory Mutuals. He adjusted the big Brach Candy Co. loss at Chicago for the Factory Mutuals.

WILLIAM H. BATES, president of Bates & Co. agency at Columbus, died at his home near Canal Winchester, O. He had been in the insurance business since 1919 and organized the agency in 1930.

ROSCOE C. CHIPLEY, 71, who had been active in the credit indemnity insurance field for 40 years, died at St. Louis after a long illness. He founded R. C. Chipley Credit Indemnity Co. after being with American Credit Indemnity Co. about 25 years. He rejoined American Credit Indemnity several years later after it purchased his company.

WALTER VOLK, 59, of the Volk-Burrell agency, Delaware, O., died of a heart attack while on vacation at Houghton Lake, Mich.

OTTIS P. POWELL, local agent at Uniontown, Pa., and special agent for Equitable Society, died at his home at the age of 76. He was teller of First National Bank of Uniontown until that institution closed in 1915 since which time he had been in the insurance business. He was a former director of the Edward A. Woods Co. at Pittsburgh.

Hold Short Course in Va.

An insurance short course was held this week at Univeristy of Richmond, sponsored jointly by the university's school of business administration and Virginia Assn. of Insurance Agents. Three courses were offered—the agent's qualification examination course; the standard course, and the agency management course.

Burbank Agents Elect

Burbank (Cal.) Assn. of Insurance Agents has elected these officers: President, Roy O. Stolper; vice-president, Harry O. Kanthack; secretary, Elizabeth Reid; treasurer, Paul P. Brown, Jr.

Insurance Women of Madison, Wis., opened their fall dinner meetings Sept. 9 when the new officers were installed and plans made for the coming year.

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Auto Problems Dominate Ill. Rally

Sheldon Calls for Solutions in Field of Commisisons

Suggests Immediately Exploring Idea of Joint Company-Agent Study

Walter Sheldon of Chicago, the N.A.I.A. presidential bud, in addressing the convention of Illinois Assn. of Insurance Agents at Springfield this week, asserted that the most important long range problem confronting producers is commissions and the more modern methods of merchandising the coverage.

One aspect of the problem is found in the indications that lower percentage commissions are in the offing on the comprehensive dwelling policy that has been filed in Pennsylvania and Delaware, providing for a 20% discount from tariff rates on the sum of the tariff for the constituent coverages.

There is no doubt, he declared, that there is a definite trend toward lower commissions and this is in spite of the recent increase in fire commissions in E.U.A. territory. There are more and more risks in the casualty field plus certain special fire and inland marine classes where the overall principle of graded expense, including commissions, by size of risk is applying. Then there are indications that some of the supervisory authorities believe that the rating laws give them the right to regulate all segments of the expense portion of the premium.

Profit in the Casualty

Some observers say that the average agent is doing well if he breaks more than even on his fire business, thus leaving his casualty business to make him a profit. If that is true, the average agent has reason to wonder what the future may hold for him, what with inflation, high taxes and inferior help, swollen payrolls and the current restrictions being imposed by casualty companies on workmen's compensation and automobile and general liability lines.

Mr. Sheldon spoke with approbation of the recommendation of Donald C. Bowersock that E.U.A. undertake a thorough study of all facets of the commission problem along with a group of representative agents. He said Mr. Bowersock wants commissions to be removed from the realm of competition. Competition should center on finding better ways and means of providing coverage at the minimum cost commensurate with a sound underwriting estimate of loss costs plus a loading for a reasonable underwriting profit and for a firm basis for compensation to agents and employes, according to Mr. Bowersock. There can be no quarrel with that approach to the problem, he said, and now that the duties of the N.A.I.A. commissions committee have been defined and the committee can function with authority, there should be a meeting shortly between E.U.A. representatives and the N.A.I.A. commissions committee to explore the possibilities of a joint study being made as suggested by Mr. Bowersock.

If such a study is feasible, then the same thing should be done in all fire and casualty jurisdictions.

Mr. Sheldon recalled that the duties of the commissions committee of N.A.I.A.

(CONTINUED ON PAGE 23)

CAHILL PENS SOMBER PICTURE

Solicits Ill. Agents' Views on Demerit Rating Plan

J. M. Cahill, secretary of National Bureau of Casualty Underwriters, in his speech at the Springfield convention of Illinois Assn. of Insurance Agents, stated that he had asked to have a meeting with authorized representatives of the Illinois agents association during the convention on the question of whether the demerit automobile rating plan that has been introduced in New York, should be offered in Illinois. The bureau policy, he explained, is to introduce such a plan only where it is urged upon the bureau by the state insurance department and where the agents' association has no objection. In Illinois Insurance Director Day has evinced interest in the plan.

Mr. Cahill said that the agents must have the simple facts on the necessity for rate increases clearly in mind if they are to explain them to the general public. The facts may be familiar to the agent in a general way but he must organize and simplify what he has to say. When accidents caused by operators of insured cars continue to increase in number and severity, and average claim costs go up due to inflation, excessive demands by claimants, etc., higher insurance rates become necessary. The problem, Mr. Cahill said, is as simple as that.

The agents can be most helpful by emphasizing in their daily contacts with insured the need for safe driving and the consequences in human suffering and higher rates resulting from carelessness.

Grim But Simple Answer

The answer to how inflation has affected the automobile liability insurance business is grim but simple, he said. Since 1946, the stock companies have suffered an underwriting loss of more than $200 million in auto liability insurance country-wide and they lost $100 million in 1951 alone.

Insurers cannot continue the burden of such losses and maintain solvency. Moreover, they cannot hope to attract new capital and expand underwriting facilities to meet the increased demand for insurance protection unless they can offer a reasonable possibility of earning a profit in these operations.

Due to the fact that auto BI losses are settled on the average 21 months after the policy is written, and that the average policy will not be written until six months after the effective date of new rates and will not expire until 18 months after this date, the bureau is now trying to determine BI rates for policies under which the average claim settlement date will be more than two years hence or late in 1954. The corresponding average claim settlement for PDL will not be made until nearly 18 months after the rate revision becomes effective or early in 1954.

Since some projection into the future is essential in order to establish rate levels that will approximate adequacy for the period during which they are to apply, a projection factor is introduced to reflect the anticipated increase in average claim cost from mid-1951 to an average 1953 level. This additional factor is based upon statewide average paid claim cost data alone since it is difficult to predict what future claim frequencies will be, but in view of past developments in average paid claim costs it is sound to include a trend factor based upon the assumption of a continued upward trend in average claim costs.

The program includes a revision of company expense provisions including a change in the provision for underwriting profit and contingencies from 2.5% to 5%. The production cost allowance in manual rates remains at 25%. The combined provision for company administration, inspection and exposure audit expense has been reduced from 8% to 7%. Unallocated claim adjustment expense has been made a function of losses rather than premium in an effort to more accurately measure this item of expense.

The introduction of the 5% provision was first announced by the bureau to be effective on rate revisions after Sept. 1, 1951. The date was subsequently postponed, however, in order to permit National Assn. of Insurance Commissioners to study the subject of a reasonable provision for this item. No decision has been reached at the N.A.I.C. level, he said, and "we felt it necessary to include the 5% provision in this year's filing." To date, rate revisions which include a 5% provision for underwriting profit and contingencies have gone into effect in 32 jurisdictions for either auto liability or O. L. & T. insurance.

"Such a response has been indeed gratifying and justifies our position that this proposed increase in the margin for underwriting profit and contingencies should be introduced in the remaining states as quickly as possible. Such a

(CONTINUED ON PAGE 38)

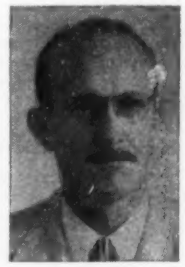
Overshadow All Else at Springfield; Redeker Reelected

Attendance Is Close to 400—Illness Keeps Hamilton Away

By BERNARD McMACKIN

SPRINGFIELD—Close to 400 persons were on hand for the annual convention of Illinois Assn. of Insurance

W. H. Redeker



W. P. Morrissey

Agents here, and, before business sessions came to order, it was apparent that this year's meeting would be preoccupied with the same problem that

commanded attention last year, that of the automobile insurance market with all of its ramifications.

Since headquarters of Adlai Stevenson occupied blocks of rooms at the

W. W. Hamilton

Lyman Drake, Jr.

Leland Hotel, three hotels had to be used, with headquarters in each and business sessions confined to the Leland. This was suggestive of the forthcoming N.A.I.A. convention at Cleveland where four hotels will be used.

The Illinois annual got under way on Monday morning when, after welcoming remarks by Francis Stover, president of the Springfield board, W. H. Redeker of Centralia presented his presidential report. He stressed the necessity of cooperation of strong local boards. Every member was urged to pledge himself to a new membership effort.

Hamilton Unable to Attend

All officers were reelected. Mr. Redeker returns as president and W. P. Morrissey, Alton, is executive vice-president. Treasurer is L. W. Zonsius of Conkling, Price & Webb, Chicago; L. M. Drake, Jr., Critchell, Miller Agency, Chicago, remains as state national director and W. W. Hamilton, Chicago, is executive secretary.

Mr. Hamilton was confined to Passavant Hospital, Chicago, several days prior to the Springfield meeting, having suffered a relapse from an earlier illness. Mrs. Hamilton attended the convention in his stead, rendering assistance to W. W. Krom, Chicago, who took over Mr. Hamilton's duties.

Regional vice-presidents are E. O. Stoffels, Chicago; H. H. Coory, Kankakee; H. W. Mullins, Rockfod; H. R. Irish, Decatur; C. A. Bryant, Peoria; Jos. F. Prola, Springfield; Max Ziebold, East St. Louis; E. M. Rolwing, Cairo; R. C. Ward, Mt. Vernon; and J. T. Colnon, Ridgway.

Cited for cooperation, by Mr. Redeker, were J. Edward Day, Illinois insurance director, and members of his staff. A special plea, on behalf of the legislative committee, was made and the association was placed on record as unalterably opposed to compulsory automobile liability insurance. The president also criticized plans involving safe-driver awards. He reiterated views of the association that stricter enforcement of traffic laws and intensified driver training are the best answers to the present unhappy automobile situation.

Appraisal Service Is in Oven

A group life plan for members was reported as receiving satisfactory response, and it was revealed that the association is proceeding with efforts to establish an appraisal service for members' clients at a nominal fee.

Lyman M. Drake, Jr., of Chicago, state national director, told N.A.I.A. developments. He voiced disfavor for the proposal to link N.A.I.A. executive committee membership to a territorial basis. Representation should be on the basis of qualification and not tied to geographical considerations, he said.

The account of the committee on accident and fire prevention was presented, in the absence of its chairman, R. B. Ayres, Hinsdale, by W. P. Morrissey, Alton, executive vice-president of the association. Here again, emphasis was upon traffic safety and its forerunner, driver training.

Increased rates are making for increased sales resistance and there is the threat of compulsory auto insurance winning public support on the basis of superficial considerations.

Lyle H. Gift, Peoria, chairman of the education committee, announced University of Illinois insurance courses available through the offices of his committee for the forthcoming academic year and said increased participation is necessary if the educational program is to be continued.

H. W. Mullins, Rockford, reporting for the committee on agents' qualification, said the committee favors a plan under which University of Illinois would take over testing of agent-applicants. Employers of part-time agents should be required to state that these agents will be available to service policyholders.

Alvin S. Keys, Springfield, reporting for the legislative committee, implored the members to get the story across to their legislators on a man to man basis before the session begins. This makes the subsequent approach of the legislative committee members much easier. The lawmakers are more sensitive to the attitudes of their constituents than they are to pleas from special interest groups.

Problem of Auto Market

Elmo G. Johnson, of Associated Agencies, Chicago, brought the group up to date on the work of his committee on casualty and surety. He expressed concern with the condition of the casualty market. Underwriters, he said, can scarcely be criticised for restrictive practices in the light of last year's loss experience. He suggested the possibility that an automobile demerit rating plan, such as that introduced early this month in New York, may find adoption in other states, including Illinois. This plan, Mr. Johnson described, as ". . . recognition for the accidentless driver, albeit through the back door."

He spoke of the recently issued lengthy report "Costs of Administering Reparations for Work Injuries in Illinois," by Robert I. Mehr, professor of insurance at University of Illinois, and his associates.

"This report attempts to deal with a comparison between the distribution of costs under the federal employers liability act and Illinois workmen's compensation," he said. "Because the report was given considerable publicity in the press, and because those of us who are familiar with the business believe the conclusions to be distorted, it should not be allowed to circulate without challenge. As it stands at present, it has the approval of the University of Illinois and was prepared by a man who is respected in the insurance industry and has been a lecturer and an instructor in insurance courses.

Need Further Study

"Unquestionably, there was not intentional misrepresentation but it appears clear that further study will discredit the conclusions in many respects."

Mr. Johnson said he had heard from B. J. Knight of the Illinois Industrial Commission that a resolution has been adopted requesting an early retraction of some of the statements in the report.

Given the rank of a standing committee at the board meeting was the conference committee, constituted last year and headed by Emil L. Lederer of Stewart, Keator, Kessberger & Lederer of Chicago. The committee, styled by an unofficial observer, as the "junior George Carter organization of Illinois," has undertaken liaison with bureau and company people in the state with the aim of working out problems to the advantage of all .interested parties Other members are Mr. Keys, H. R. Woodward, Peoria, Mr. Mullins, and E. A. Stoffels, president of the Chicago Board.

Welcomes One-Write Policy

Howard Hendricks, Bloomington, for the forms and rules committee, hailed the adoption in Illinois of the "one-write" fire policy and accompanying forms, urging, at the same time, revision of other forms to facilitate their use with the new policy layout.

Mr. Hendricks, on the new improvements and betterments form, said the most pressing difficulty is the situation

O'Connor Urges United Front on Legislation

Edward H. O'Connor, managing director of Insurance Economics Society, told the Illinois agents at their meeting in Springfield this week that they should concern themselves just as much with measures tending to socialize other businesses as they do with those affecting insurance only. If the agents believe in the private competitive system, the one that has made America what it is today, he said, they must believe in it for all types of business and not only for their own.

Mr. O'Connor in his talk, "Time for Action," remarked that there is wide acceptance of the new theory that personal security is in some way a right of citizenship. This includes the impractical philosophy that one can have what he does not earn, he remarked, in discusssing a number of trends along this line which might seriously affect insurance. He mentioned the expansion of the social security act, and opined that this is "the conveyance which could nationalize and socialize the fire and casualty as well as the life and accident and sickness business." The entire insurance business with all its branches must present a united front to the legislatures, Mr. O'Connor warned. The legislators look at insurance as one industry and do not follow its ramifications. Therefore, he said, it is necessary that the man engaged in the fire business become interested when casualty, life or A. &. H. is under fire, and vice versa.

It is impossible to have a limited amount of government intrusion, Mr. O'Connor continued. Under such an arrangement, the "free" areas of human activity are only those tolerated by the government.

"We have too much government in business, and especially the insurance business," Mr. O'Connor declared, "and it is time to mass our forces toward a common goal." Under the free enterprise system the people create their own security through life, disability, fire and casualty insurance, savings and investments, and at the same time provide the capital that nurtures private enterprise and raises the standard of living. "That is the difference between the false security under the dead hand of buraucracy, and the real security created by a dynamic economic system," he declared.

of lessees who, in contemplation of new leases, make extensive changes in rented premises not long before renegotiation.

Correspondence with the membership reveals the following items for the future agenda of the committee: Published rule for final premium computations on reporting forms where seasonal values or values at acquired or discontinued locations are involved; clarification of coverage actually being provided on television antennae under extended coverage and AEC endorsements; whether companies will pay for washed-in foundations under the collapse section of AEC and publication, in the rule book, of extended coverage rates on elevators, greenhouses, lumberyards, etc.

Ray L. Britt of Danville, as chairman of the automobile, fire and marine committee, said public opinion must be fired to a point where traffic violations will not be condoned, the possession of a license will be valued, and education of young drivers will be a must.

Present rating systems, he said, are aimed at classifying insured within the most practical boundaries, thus, further refinement, especially among drivers of private passenger cars, is impractical. Mr. Britt also advanced the theory that current high jury awards may reflect, in some measure, resentment against companies which have allegedly handled some insured badly. Rates, said Mr. Britt, must be held down or state insurance will be a threat.

Working Information

The Tuesday morning sessions were full of working information. Opener was a panel on functions of Illinois Inspection Bureau. Following assurances of the bureau's desire to cooperate, extended by R. K. Phelps of Chicago, the manager, the panel was on a question and answer basis, with Howard Hendricks, Bloomington, E. M. Cobb, Centralia, and A. J. Schied of Tobias-Kellogg Co., Peoria, doing the asking. Answers were provided by Douglas Best, superintendent of the audit bureau; Ray Matson, assistant manager, and Abe Gent, chief engineer, all of the bureau.

D. C. Girardot, regional supervisor at Peoria for Western Adjustment, talked about what happens after the loss, emphasizing the notion that what happens before the loss, i.e., how agent and insured set coverage, is the controlling factor. Values must be the subject of greater care; witness statistics on underinsurance developed in the course of loss adjusting. Allied with the subject of values in general, is the need for greater care in reporting values under reporting forms. If reports come in regularly, but are always rounded off and don't change appreciably, there is a danger sign that the accountant may be estimating, not determining values carefully.

Values were again pondered in an address by Sheldon Berkson, president First Appraisal Co., of Chicago. Mr. Berkson said there are actually 54 values which could serve as the basis for an appraisal.

In determining insurance amounts, too many agents and insured rely on such methods as setting up a budget item for all insurance, leaving allocation of amounts up to producer: book value; "trended" value — adjusting figures of an earlier appraisal without inspection: or a "guessing session," participated in by insured and agent. Professional appraisal is the only satisfactory method, Mr. Berkson thinks.

Millers National and Illinois Fire hospitality was administered by J. W. Nickerson, vice-president, and H. F. Tuerk, agency superintendent. Entertainment at the banquet was sponsored by these companies and was top notch.

Attendance was heavy at the banquet which closed the meeting. Mr. Redeker presided at the banquet.

Recipient of the C. M. Cartwright award, presented at the banquet, is Emil L. Lederer, Chicago. The W. H. Jennings, Jr., membership cup went to Harold H. Cooley, Kankakee.

J. T. Leopold, public relations consultant of Dallas, addressed the Monday luncheon. Styling himself a heretic among his colleagues, Mr. Leopold said public relations is closely related to selling and that neither is an exact science, rather, each is an applied science. Loyalty, careful attention to one's personal appearance and friendliness were offered as the ingredients of a successful public relations program.

J. F. Prola of Springfield was commended on all hands for his work as general chairman.

Ill. Educational Activities

Educational activities of Illinois Assn. of Insurance Agents will commence Sept. 22 with a five-day course on fire and allied lines at University of Illinois, Urbana. L. H. Gift, Peoria, is chairman of the education committee.

Sheldon Urges Commission Study

(CONTINUED FROM PAGE 21)

as defined by the executive committee on Aug. 9 of this year are: That it may study all phases of commissions, that it shall report its findings to the executive committee, that it shall not directly or indirectly take action which will have the effect of suggesting or agreeing as to the specific commissions in agents' contracts; nothing shall prevent consultation on the subject of commissions by the executive committee and the commissions committee.

Any study of commissions to be worthwhile, cannot be limited to the percentage of premium known as "commission." It must encompass all items of agency expense, he declared. This was contemplated in the part of the definition of the duties of the commission committee, stating that it "may study all phases of commissions." The study must include modern methods of merchandising insurance which includes all services such as the large and constantly increasing amount of office detail work. Much of this is unnecessary, he commented.

Solution Is Imperative

"When the industry," he said, "recognizes the urgent necessity for the solution of this critical problem, it will be recognizing the opportunity to improve our business, to improve our customer and public relations and at the same time it will be fighting the growing threat of socialization of our industry."

Earlier in his talk, Mr. Sheldon remarked on the automobile situation, saying this is the most serious problem facing the agents today. N.A.I.A. has material to combat the automobile accident problem to distribute to state associations and local boards and he expressed the hope that the Illinois organization would become active in the highway safety field.

The speaker called for a united political front to beat the social planners and prevent further socialization of the insurance business. In the future the American agency system is dependent on this. The threat is also a challenge to the insurance companies.

The most effective work here can be done at the state level because of the "grass roots" contacts of agents.

Mr. Sheldon commended the policy of the Van Vechten administration of N.A.I.A. which is "progress through cooperation." He said that this has borne good fruit and much can be accomplished through consultation at state and territorial levels. Good results are coming from the meetings between the state or territorial conference committees of agents and company committees, and the meetings between the N.A.I.A. property, casualty and fidelity and surety committees with company and bureau people.

In the field of advertising, Mr. Sheldon recommended that the stock companies through joint effort concentrate on telling the complete story of stock company insurance and the role it has played in the private enterprise system on which the companies, the agents and the policyholders have prospered.

He suggested that the casualty companies in their national advertising justify the rate increases with emphasis on the fact that the rise in cost of automobile insurance has lagged behind many other services and commodities. The agents have a right to expect more from their companies along advertising lines, he said.

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Need for Trend Factor in Rates Cogently Set Forth

Harry H. Fuller, at Nebraska Forum, Presents a Telling Appeal

Harry H. Fuller of Chicago, midwest manager of National Bureau of Casualty Underwriters, made an effective presentation of the need for far higher rates in the automobile third party liability field, mainly by reading portions of a letter from a chief executive of a large casualty company to an insurance commissioner, Mr. Fuller's presentation being at a forum at Lincoln that was set up by Insurance Director Laughlin of Nebraska. This was not a hearing because Nebraska has already approved the new rates. It was Mr. Laughlin's desire to have representatives of the insurance business outline the problem in general terms for the benefit of the public and to indicate to the public the need for correction of those things that are necessitating the higher insurance rates. Others that spoke included J. R. McWilliams, assistant manager of the automobile department of National Bureau from New York, Robert Nelson of National Automobile Underwriters Assn. at Chicago, and C. H. Graves of Mutual rating organization.

The group was impressed by excerpts from a letter read by Mr. Fuller that had been written by the chief executive of a casualty company on the rate situation. This was written in response to the request of an insurance commissioner that this executive set down his views in writing, since the commissioner was affected by this man's verbal presentation at a conference.

"During the first quarter of 1952," the letter went, "our underwriting results were such that we spent all of our earned premium plus all of our investment income and drew upon our surplus for approximately $1 million to make good the first quarter's underwriting deficit. It is our belief that the second, third and fourth quarters will make further serious inroads into our surplus, the effect of which may well produce a loss of surplus of $3 million and might attain a surplus loss of $5 million for 1952. If, collaterally, we should have a break in securities values the situation could deteriorate even more rapidly.

Serving the Agency Plant

"So far we have made every reasonable attempt to serve our agency plant and to avoid drastic action except in those cases where results were clearly much worse than average and evidenced abnormally poor business selection. We have tried to avoid panicky treatment and to avoid penalizing any producer for adverse results clearly produced by inadequate rate levels rather than reckless agency underwriting. We would like to continue to follow this philosophy. We will do so as long as our financial situation permits, provided we are convinced that the rates at which new and renewal business is being written will prove sufficient in the light of today's conditions. If, on the contrary, in the exercise of sound judgment, we are forced to conclude that newly adopted rates will prove to be clearly inadequate for the hazards and risks assumed, then we must perforce weigh carefully the interests of our present policyholders and stockholders before we conclude to place our surplus funds in further serious jeopardy. If the latter conditions are present, it may be necessary to impose restrictions in the acceptance of new and renewal business to that degree necessary to preserve our ability to remain in business.

"We do not believe that this problem is ours alone. We feel sure that many other companies are facing decisions very similar to those which we will have to make. If it should be that any number of companies have to conclude to tighten radically their acceptance of business by a more severe selection of risks or a cutting off of production sources or the placing of business quotas on automobile liability and property damage coverages, we realize that there will be complaints from automobile owners and agencies. Enmities will be created, private enterprise will suffer and radical solutions will most certainly be suggested. However, bad though these would be, we believe that they are preferable to the alternative of an enforced liquidation because of company inability to make a satisfactory statement.

Claim Costs Increasing

"We believe your major concern is with the proposed trend factor which is based on a conviction that claim costs are still increasing. From the figures we maintain it is our considered judgment that average costs of both bodily injury and property damage claims are still rising sharply. We estimate our 1952 bodily injury accidents reported will cost us at least $800 per case, compared with $755 for 1949 accidents, $631 for 1950 accidents, and $731 for 1951 accidents. For property damage, we estimate 1952 accidents at $72 per case, compared with $47 for 1949, $54 for 1950 and $63 for 1951.

"The reasons for these increases differ as between bodily injury and property damage. In the case of property damage it is predicated purely and simply on increased costs of materials and labor. That such increases are present is reflected in present day prices of automobiles and automobile parts

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Hartford Paper Speculates on Randall Retirement

The Hartford Courant late last week broke a speculation story on the retirement of Jesse W. Randall, president of Travelers, in the not too distant future. There had been rumors of the retirement for several weeks, obviously set going by the sale of the Randall home and the move by the family to the Heublein hotel.

The Hartford Times did not pick up the story and officials at Travelers are not confirming or denying it. There has been no release on the subject from the Travelers news bureau.

The general factual content of the Courant story seems to be correct, though the time of retirement is considered highly speculative. Mr. Randall is past the "official" retirement age of 65, but service beyond that age by top executives of the Travelers companies is not unusual.

It is pointed out that retirement is a matter of board action, and that not until this occurs can there be an official announcement. This might not happen in a few months. If there were important developments that called especially for Mr. Randall's attention, it might not happen for a couple of years. One guess is that it will be at least several months before Mr. Randall retires.

Tenn. Agents Ask State to Shave Rate Increase Requests

NASHVILLE—Tennessee Assn. of Insurance Agents, through its casualty committee, at a public hearing before Commissioner Allen Monday protested against proposed auto rate increases filed by National Bureau of Casualty Underwriters, averaging in the seven rating areas of the state 30% on BI and 40% on PDL. Insurors of Nashville, through its casualty committee, represented by Jack D. Brandon, as chairman, have branded the proposed increases as excessive.

"We feel that some increases are justified," read a prepared statement from the state casualty committee, "but are convinced that the amounts are excessive. We recommend that the insurance commissioner give the matter careful consideration and render his decision based on the findings of the department's own actuaries."

Cal. Bar Adopts Proposal for Comparative Negligence Law

LOS ANGELES—California State Bar at its convention here adopted a resolution presented by its conference of delegates, approving a major change in the California law by supporting a comparative negligence statute. The report culminated a controversy of 10 years standing. Among the suggestions of the committee were that the doctrine of "last clear chance" be abolished and that special verdicts be required in all comparative negligence actions; that the corrections of "joint tort feasors" and "third party practice" be referred to another committee.

Professional Cover Revised

American College of Radiology, 20 North Wacker Drive, Chicago, in its monthly News Letter has an article on the professional liability insurance program which was set up a number of years ago. The program is being revised in some respects and the members are being urged to participate to a greater extent as this will bring about a lower premium cost and make the cooperation more effective within American College of Radiology. St. Paul-Mercury Indemnity is the insurer. The policies that are issued are individual broad form liability contracts handled by regular agents and brokers. The policy protects the insured against any claim arising as a result of his practice or services or that of any assistants, as well as injuries which may not necessarily be connected with medical practice sustained by patients or visitors. The minimum limit continues to be $25/75,000, but higher limits may be obtained.

St. Paul-Mercury will maintain a separate code on this and the premium cost will be adjusted on the basis of actual experience. Only 20% of the present membership is now insured and it is essential, according to this article, that there be an increase in participation or the college may find itself shopping for a market at much higher cost. In future articles there will be printed information on occurrences which have caused trouble and expense to some of the members.

Inflation is having its effect on settlement of claims caused by errors and negligence, the article states and this together with the trend of court decisions, attitude of the public and the cost of investigations thoroughly warrant the protection.

Justice Probe of Tie-in Sales Is Not Causing Alarm

N. Y. Department Reveals It Is Also in Midst of Inquiry

Confirmation by the Department of Justice in Washington that it is making a preliminary inquiry into complaints it has received from brokers and others about insurers that insist on fire and other lines if they take the third party coverages, notably automobile, has aroused a good deal of interest in insurance centers. However, most companies do not appear seriously concerned about the news.

The Justice Department indicated that looking into the complaints does not necessarily point to an anti-trust suit against insurers, but is in the nature of a study to determine whether further investigation is called for. With the breaking of the news about the justice department the New York department indicated it had started its own investigation into tie-in sales of fire and casualty several months ago and has two examiners working on it. Such sales were discussed at a meeting of producers called last May by Superintendent Bohlinger to deal with the problem of placing automobile risks.

Apparently the justice investigators are especially interested in the practice of a very few companies, in New York metropolitan and even upstate, of getting an advance commitment on expirations before writing certain insured for some producers. This is said to go so far as a written list of policies and their expiration dates for particular insured, from the producer.

The casualty market has been a difficult one in New York metropolitan and in some other localities, and there has been some shifting of fire business as casualty insurers have sought to sweeten up their writings in areas of very bad experience. But this has been a basic underwriting approach since the beginning of the business. Presumably the government would be interested further only if it found application of the practice coercive or developed to the point of an unfair trade practice, but even then action might only go so far as to warn individual insurers.

Gorton Rounds Out 30 Years

D. E. Gorton, vice-president of Fidelity & Deposit, in charge of the Los Angeles office, celebrated his 30th anniversary with the company Sept. 1 and received congratulatory messages from home office executives and friends throughout the Pacific Coast territory.

After six years with National Surety, he joined Fidelity & Deposit as special agent at Portland, Ore., in 1922. Later he was manager at Phoenix, Ariz., before going to San Francisco as associate manager. In 1940 he was made manager at Los Angeles office, and on the death of Vice-president William Walker took over the entire responsibility for the Los Angeles office, later being elected vice-president.

Putnam L. Crafts, Home Indemnity, has been named chairman of the nominating committee of Surety Underwriters Assn. of the City of New York to report at the October meeting.

XUM

CONFERENCE SURVEY

Hospital Policy Benefits Increased in Four Years

Individual hospital insurance policies have shown a remarkable improvement in benefits and policy provisions during the last four years, according to the 1951 survey of individual and family group hospital insurance coverage conducted by hospital insurance committee of Health & Accident Underwriters Conference. The survey covers the "best selling" hospital policy of 101 conference companies. It also compares present policies with a similar survey conducted by the hospital committee in 1948, and with such other information as was available from hospital policies issued in 1940.

In addition to supplying the statistical information requested, D. R. Hodder, Woodmen Accident, chairman of the hospital committee, asked the participating companies to state their opinions as to the future of the individual and family group hospital insurance business.

It was agreed that inflation is the chief cause of high loss ratios. It was also universally felt that increased utilization of hospital facilities and the more expensive medical care treatments have an important bearing on the general problem.

"Some insurers fear that the system of providing unallocated expense benefits will necessarily become too costly to keep hospital insurance premiums within reasonable limits," the report states. "Most, however, apparently do not subscribe to this view, for the great majority of policies are presently being written without specifically allocating such benefits. There is a belief in some quarters that the demand for broader protection is of greater immediate concern. In addition, there is a possibility that the experimentation in the so-called 'major medical expense' field may provide an eventual answer, in that there may be a move to use a coinsurance provision as a protective device against rising costs and overusage. Such a clause would be of particular importance in the event of a depression.

Reactions to Depression

"There was a diversity of opinion as to the expected general effect of a future depression. Many felt the reaction would be severe in the manner that weekly indemnity policies were affected during the early 1930s. Some thought this would be significant because the public has become accustomed to utilizing hospital insurance for payment of hospital expenses during the past few years. Surprisingly, others saw no special danger to the business in a depression since there was no moral hazard comparable to that in the weekly indemnity policy. They felt that expenses would tend to reduce and that people would forego minor hospital treatment."

The survey shows that the average daily hospital room benefit is $7.50, compared to $4.50 daily room benefit sold in 1941. The number of days for hospital confinement covered by the policies has also increased, and 60% of the policies in the 1951 survey provide daily room benefits for 90-100 days, as compared with only 30% in the 1948 survey. In 1941 approximately 50% of the policies provided room benefits for 30 days. Approximately 74% of the companies reporting in the 1951 survey were writing policies providing unallocated miscellaneous hospital expense benefits, as compared to 57% of the companies in the 1948 survey and less than 25% of the companies in 1941. In this respect, the 1951 report shows the average miscellaneous expense benefit was 12 times the daily room benefit in comparison to 6 times the daily room benefit in 1948.

Substantial benefit increases have been made for such hospital services as drugs, dressings, and operating room as compared to policies written in 1948.

Waiting periods for sickness have also been reduced. In 1951 the average was 21 days, as compared to 24 days in 1948. Further indication of this trend is shown in the number of policies containing no blanket waiting period for sickness, which increased to 14 policies in 1951 compared to 10 in 1948.

Nearly 85% of the policies reported in the 1951 survey contained grace periods, as compared with 70% of the policies reported in 1948.

"Many companies have been zealous in their willingness to prove industry's ability to provide the public with sound protection. The industry is aware that keen competition and public acceptance of the product have greatly improved present day policies over their predecessors," Mr. Hodder commented.

Auto Rate Increases Go Into Effect in Minn.

With increases in auto liability rates becoming effective in Minnesota this week, the customary statement in justification that is being issued state by state by National Bureau of Casualty Underwriters was supplemented by a similar statement by Commissioner Nelson. The latter at the same time emphasized that he had disapproved that portion of the rate filing increasing the profit and contingency factor from 2½ to 5%.

For private passenger cars the rate increases range from $9.50 to $26.50 for BI and PDL combined. For commercial cars the increases for the combined coverage range from $7 to $19 except in the territory of St. Louis and Itasca counties where most such rates are reduced by $4.

In Minneapolis-St. Paul, the class 1 private passenger rate is now $60 as against $46.50 in the past, and class 2 is $99 as against $76. In Duluth, the new class 1 rate is $64 as against $54.50 and class 2 is $105 as against $88.50.

Mr. Nelson said that National Bureau companies whose rates are being increased write about 20% of the automobile liability premiums in Minnesota. He expressed the belief that a 5% loading for profit and contingencies "under existing rating formulae is excessive and that 2½% profit factor is a reasonable figure for the service which is performed for the people of Minnesota."

"In order to keep the companies solvent and to assured the public of a market for liability insurance," Mr. Nelson stated, "it is my duty to enforce the rate regulatory laws and to see that rates are not inadequate nor excessive." He emphasized the importance of motorists cooperating in driving safely, sanely and maintaining safe cars.

Seek Referendum on Mass. Compulsory Insurance Law

A bill calling for a statewide referendum in 1954 on a proposal to repeal the Massachusetts compulsory motorists' liability insurance law has been filed for consideration by the 1953 legislature.

Under the referendum bill, which was filed by Senator Charles W. Hedges, Quincy Republican, the voters would instruct the legislature whether repeal of the law is wanted. If the majority of voters answered the referendum question affirmatively, the state legislative committee on insurance would study the system and make its recommendations to the legislature, keeping in mind the results of the referendum.

Meanwhile, the Massachusetts department is awaiting a decision of the state supreme judicial court on the 1952 compulsory insurance rates before making a decision on the 1953 rates.

Although Massachustts law calls upon the commissioner to promulgate compulsory automobile insurance rates by Sept. 15, the courts have held that the provision is merely "directory." The rates last year were announced in December.

Guardian Life Details New A. & H. Policy Portfolio

Guardian Life will start to issue participating A. & H. policies Sept. 15. A broad variety of personal A. & H. contracts, both commercial and guaranteed renewable, are being offered, with individual and family hospital expense policies to be added to the line before the end of the year.

There are five commercial contracts in the new line, four of them schedule type policies. One, the preferred accident policy, provides monthly income for life in event of total disability resulting from accident. Optional benefits that may be added include a partial disability provision that pays a 50% benefit for as long as 12 months, principal sum, blanket medical expense, and a double indemnity provision which doubles loss of time and life benefits for accidents on land, sea or air common carriers, scheduled or non-scheduled.

Accident Medical Expense Form

A second policy has for its basic benefit blanket medical expense in event of accident, and is intended primarily for housewives and children. A schedule of cash payments for fractures is included at no extra cost. Optional benefits for this contract include pricipal sum and double indemnity.

The preferred health policy will provide an income for as long as two years in event of total disability resulting from sickness. House confinement is not required. Optional provisions include a daily hospital or nurse benefit, miscellaneous hospital expense coverage and a broad surgical fees schedule. This policy is sold as a unit with the preferred accident.

The fourth policy, also sold as a unit with the preferred accident ,provides monthly income for one year for house-confining sickness—50% benefit if the total disability is not house-confining. Optional benefits are the same as for the preferred health.

Combination with Life

The fifth is a disability policy designed to be issued only in conjunction with new Guardian life insurance. The accident benefits are: Monthly income for life in event of total disability; 50% benefit for six months for partial disability; and substantial dismemberment benefits. A monthly income for as long as two years is paid in event of total disability due to sickness, beginning with the eight day of disability. There are no optional benefits, and the premium is substantially lower than the cost of similar coverage purchased without life insurance.

There are three guaranteed renewable policies, all providing lifetime indemnity for total disability due to accident. Sickness benefits run for one, two or 10 years, depending on the contract selected; house confinement is not required. Optional benefits include principal sum, daily hospital or nurse benefit (for 100 days) and a schedule of surgical fees. The right to renew is guaranteed to the policy anniversary nearest the insured's age 65.

Provision for Annual Dividends

Among the features in all contracts, both commercial and guaranteed renewable, are provision for annual dividends, 10% benefit increase if premiums are paid annually, 5% if paid semi-annually. All passenger air travel, scheduled or non-scheduled carriers, will be covered, except in military or experimental aircraft. The policies are free of territorial limitations and benefits will not be prorated because of change in occupation.

Commercial accident policies pay for 50 months, non-cancellable policies 60 months, if the insured can perform no duty of his regular occupation. Thereafter, both commercial and non-cancellable policies pay if the insured cannot engage in any reasonably gainful occupation for which he is or could readily become qualified. There will be no increase in renewal premiums, or decrease in benefits, because of increased age.

The A. & H. department is headed by Gerald S. Parker, secretary.

Box Car Numbers in Verdict Shock the Judge

Insurance people will note with relief the remarks of Common Pleas Judge Nicola of Cleveland in granting a new trial in a damage suit action in which the jury had given a judgment for $130,000 to a 13-year-old boy against Cleveland Transit System. His decision was influenced by the size of the verdict and also by a juror's misconduct.

On the matter of the size of the verdict, Judge Nicola said: "The court realizes that everything is geared to a higher tempo in this day and age, and that the dollar is not worth what it once was. Orienting ourself to this situation the amount of the verdict is still much too high. There are times and places where the verdict is so high that it shocks the conscience of the court, when the court must grant a new trial in order that justice be done."

States Get Awards for High School Driver Education

Assn. of Casualty & Surety Companies announced that 18 states received awards in its national driver education award program. The awards were made by the judges at a luncheon in New York City.

Massachusetts won the highest rating for the excellence of its driver education training program, together with the highest percentage of its high schools offering driver courses and the largest percentage of enrollment of eligible students. Delaware was second, with 166 points out of a possible 200, only 2½ points below the Massachusetts score. Both states will receive the award of excellence, from the association's accident prevention department, which has sponsored the program honoring states for their progress in such education since 1947.

Under a new method of judging, recognition is given to the quality of each state's performance in its training of young drivers and the percentage of the state's schools offering such courses. The percentage of eligible students taking them was the standard previously.

Other State Winners

Seven states will receive the program's second honor, the award of honor, for scoring 130 to 164 points, Wisconsin, Oklahoma, Arizona, Illinois, New Jersey, North Dakota and California.

Nine other states will receive the award of merit, 95 to 129 points, Virginia, Pennsylvania, New York, West Virginia, Ohio, Indiana, Minnesota, Connecticut, New Mexico and Nevada.

Plaques honoring the states will be presented to governors and educational officials during the fall and winter months.

With 726,204 students enrolled in the courses in 8,118 public high schools, and 6,823 boys and girls taking driver education in 128 private and parochial schools, the 1951-52 school year reached its maximum performance. In the public schools enrollment for the first time went over 50% of eligible students. The enrollees represented 54% of the 1,356,820 public high school students eligible to take the courses, up 9% over the 43% of total enrollment in the 1950-51 program.

C.P.C.U. Groups at Portland

Two C.P.C.U. study groups are being organized at Portland, sponsored by Oregon Assn. of Insurance Agents.

The St. Louis court of **Cats Meow** will hold a luncheon business meeting Sept. 9 and a stag dinner party Sept. 22 which Bob Broeg, sports writer for St. Louis Post-Dispatch, will speak.

Popular Writer Snipes at Insurers on Auto Rates

The Fawcett publications brought out a new magazine known as Cavalier which has as its lead article a lengthy treatment of automobile insurance in a vein hostile to the main stream of the insurance market. The author is Sidney Margolius and much of the material runs parallel to the section on insurance in a booklet that he got out that was originally known as "How to Buy More for Your Money," and that in 1951 was revised under the title of "Consumers' Guide to Better Buying." The latter is brought out as a "Signet" book by New American Library. In the preface of that book it is stated that Margolius studied merchandising, consumer needs, etc., for 18 years and has a syndicated newspaper column. It states he is a director of National Assn. of Consumers and a member of other similar organizations. Credit is given to Colliers Magazine, Today's Woman and other publications for permission to make use of Margolius material that appeared in those media.

Charges Rates Are Inflated

Margolius charges in this article that insurance rates are inflated and a lot of the reasons given by insurance companies for their high rates are fallacious.

Margolius, when he was gathering material for his auto articles, indicated he was a writer for union magazines, and was going to do this one for Textile Challenger, published by United Textile Workers of America, AFL. It is understood that Margolius formerly worked for P.M., and the New York Daily.

Cavalier is a men's magazine and some of the other titles in the first issue are How to Catch Frogs, Prize Fighting, etc.

Most stock companies, he said, operate on a 50-50 formula, and he argues that 50% for administrative expenses and profit is higher than in normal business.

The article disputes the claim made by insurers and state insurance officials that accidents are on the increase. Whereas, the number of accidents has gone up, there are more drivers on the road, and the frequency of claims is actually about the 1947 level and lower than pre-war, he goes on. The frequency of accidents involving bodily injury is actually down 30% in the last 10 years, he contends, and insurance companies are actually paying the same number of claims per 100 drivers as five years ago, "according to a top official of National Bureau of Casualty Underwriters."

The article says that administrative expenses which insurance companies pay out of 50% of your insurance dollar go for "such things as publicity, advertising, entertainment — including junkets to Bermuda and other resorts for staff conferences."

Concedes Widespread Racket

One legitimate reason why rates are on the increase, Margolius does concede, is the widespread racket of false and padded claims and faking accidents.

He said that proof that auto insurance rates can be lower is that a number of mutual companies sell insurance at rates up to 20% lower than do stock companies. They give sizable dividends or "rebates" to the insured, and actually operate with lower overhead costs than do stock companies. "For one thing, they don't have the extensive sales organizations that stock companies have, so avoid the 25% commission usually paid to salesmen."

Margolius specifies State Farm, Farm Bureau of Columbus, Factory Mutual, and Allstate, "all of which sell insurance at about 80% of the rates of stock companies."

The article suggests that the public keep after insurance departments urging lower rates; group auto insurance is recommended; better road and traffic conditions should be urged; and more serviceable cars should come from manufacturers.

There are some inaccuracies. For instance, he said Allstate was set up only five years ago. He refers to State Farm as "dealing out 20% rebates."

Tom Burford has established a Kansas general agency at Wichita for Southwestern Fire & Casualty of Dallas.

Dr. S. L. Shapiro is addressing the dinner meeting Sept. 17 of **Casualty Adjusters Assn. of Chicago** on "Malingering in the Field of Eye, Ear, Nose and Throat Systems in Personal Injury Cases."

Asks Cal. Assigned Risk Changes

Hearings on a proposal that the regulations of the California assigned risk plan be amended and another section of the plan be deleted will be held by Commissioner Maloney at San Francisco Sept. 16 and Los Angeles Sept. 17.

The principal change will be to provide that a company designated as the insurer by the manager of the plan must respond within three working days (Saturdays and Sundays excluded) as to whether or not it will accept the claim and in the case of a decline present its reasons for its belief that the applicant "is not in good faith entitled, under the plan," to the insurance.

The name of the Norgard-Latta agency, **Yakima, Wash.,** has been changed to Norgard Insurance Agency. F. W. Norgard is president; Erma L. Dyer, vice-president; Omar W. Norgard, secretary.

Loman to Direct Work of Insurance Institute of America

Insurance Institute of America has elected Harry J. Loman as executive vice-president and member of the board of governors. He will assume supervision and direction of the Institute's educational program, and these duties will be in addition to his responsibilities as dean of American Institute for Property & Liability Underwriters.

This move is in the direction of coordinating educational work of insurance organizations conducted on a nationwide basis so as to achieve the maximum of efficiency, elminate duplication of activities and permit the development of education on a well planned and progressive basis.

With this goal in mind and after much study by a joint committee, a plan has been adopted by the governors of Insurance Institute and the trustees of American Institute for P.&L.U. whereby the educational activities of the two organizations will be coordinated under Dean Loman's direction. While maintaining the separate identity and separate financing of each in its respective field of endeavor, the two educational programs will be closely integrated.

A joint committee consisting of two from the executive committee of Insurance Institute and three from the executive committee of American Institute will be responsible for the formulation and general direction of the new program. They are: Harold C. Conick, Royal-Liverpool; J. Arthur Bogardus, Atlantic Mutual; Arthur C. Goerlich, Insurance Society of New York; Rexford Crewe, Hartford Accident, and president of Insurance Institute, and Mr. Loman.

Insofar as necessary, the existing program will be revised to meet the needs of beginners in the business in addition to those who wish to be admitted to courses at the C.P.C.U. level. The committee will also set the standards for, and conduct periodical examinations on a national scale in the elementary and basic phases of property and casualty insurance. A certificate will be awarded for successful completion of the prescribed examinations. The fellowship award will not be made in the future but the present courses of the Insurance Institute of America will be available for the next two years for the benefit of those persons who have already earned partial credit toward associate membership. Thereafter, the associate membership awards will be replaced by the certificate plan.

Although the principal office of the Insurance Institute of America will be maintained in New York, the educational operations will be conducted from the Philadelphia office of American Institute.

Last Ill. Mail Fraud Case Is Settled with Fines

Final disposition has now been made of the mail fraud indictment that was voted in 1948 against Northern Trust Life of Aurora, Ill. Federal Judge Perry at Chicago on Tuesday allowed the company and two officials to plead no defense to the charges and then imposed fines which were $100 on the company, $1,000 on the president, Vaughn V. Moore, and $100 on the secretary, E. A. Wilmsen.

Judge Perry said that he made the fines light because this is a mutual company and that a heavy fine would have jeopardized dividends. Assistant U. S. Attorney Daniel P. Ward opposed this disposition of the case saying that Northern Trust "is still doing business today and the fraudulent contracts still exist." He charged that Northern Trust rejects 87% of claims and the average benefit paid was only $34.

Northern Trust was one of three Illinois companies that was indicted in 1948. In 1950, Arcadia National was found guilty and was fined $10,000 and the president was sent to prison for three years, and an agent got 18 months. The case against Westminster Life was dropped.

Starkey Retires; Pickrel's Duties Are Expanded

David P. Pickrel, general counsel for American Druggists Fire of Cincinnati, has had the duties of acting secretary added to his work since the retirement of W. P. Starkey. The latter retires on a pension because of ill health after having been with the company 32 years.

Mr. Pickrel has been with American Druggists 20 years and has served as general counsel 11 years.

Philip P. Sieber has been promoted to auditor and assistant treasurer.

W. S. Hocker New K. C. Head for Western Adjustment

William S. Hocker has been appointed manager at Kansas City for Western Adjustment to take the place left vacant by the death several months ago of George Bredberg. Regional manager at Kansas City is Robert E. Glass. Mr. Hocker has been manager at Quincy, Ill., since 1941 and has been with Western since 1936.

Charles B. Mahon is transferred from Kankakee, Ill., as manager to replace Mr. Hocker at Quincy and H. G. Edmands is promoted to Kankakee manager.

Kane Seeks Group Parley

WASHINGTON — Defense Department Insurance Director Kane is trying to arrange for a conference with agents and brokers the first week of September to consider problems presented in application of group coverage programs in connection with government contracts under the defense projects rating plan.

Such a meeting would be preliminary to the Sept. 11-12 meeting of the insurance advisory board, which is expected to take up this matter and the products liability problem with relation to defense airplane contracts.

Baloise Fire Is Added

National Bureau of Casualty Underwriters has elected to membership Baloise Fire of Switzerland, which in the U. S. is affiliated with American Title & Insurance Company and the Equity General of Miami, present bureau members. One hundred and fifty companies now comprise the bureau's membership.

Carl A. Smith Makes Change

Carl A. Smith, has been named claims manager for Interstate Greene & Greene agency of Evansville, Ind. He succeeded Earl Harte, who left to go into business for himself. Mr. Smith has been claims manager at Evansville for Indiana Ins. Co., for 22 years.

Toelle Talks to CPCUs

R. Maynard Toelle, casualty manager of American Foreign Insurance Assn., discussed American insurance overseas at a meeting of New Jersey C.P.C.U. chapter. Mr. Toelle formerly headed the Chicago C.P.C.U. chapter and now is at A.F.I.A.'s head office in New York.

Garret W. Roerink, analyst of American, and New Jersey chapter president, welcomed 11 new C.P.C.U. designees from northern New Jersey. They will be guests at the conferment luncheon in Newark Oct. 21, in conjunction with the all day session on business interruption insurance.

General Re Stockholders Are to Receive Some Gains

General Reinsurance has increased the quarterly dividend on its stock to 40 cents, from 30, and the directors have voted to recommend to stockholders declaration of a 10% stock dividend. The quarterly dividend is payable Sept. 19 to stock of record Sept. 15. The stockholders meeting is Oct. 15 and the plan is to pay the stock dividend Oct. 24 to stock of record Oct. 17. Capital is now $5 million consisting of 500,000 shares of $10 par value stock.

Take in 3 State Rallies in Week—Air Is Answer

E. L. Stephenson, midwest manager of Associated Aviation Underwriters, and Martin Myers, special agent, flew to Springfield in a new 4-place Cessna for the convention of Illinois Assn. of Insurance Agents. They planned to go on to Grand Rapids for the convention of Michigan Assn. of Insurance Agents, then to Duluth for Minnesota association meeting.

Excelsior Names Willatt

Excelsior has appointed William E. Willatt, Jr., a special agent in western New York. He replaces Gregory McKennis.

Mr. Willatt has an insurance background of 14 years. In 1938 he joined his father's agency at Waverly, N. Y. and after military service from 1942 to 1946 he then operated the agency following his father's death.

Offers Premium Financing

First National Bank of Boston announces that it is engaging in the insurance premium financing business and will accept for financing policies that have had satisfactory unearned premium value upon cancellation. Parker H. Smith, who is in charge, states that low bank interest rates are available, interest is figured only on the unpaid balance and once a policy has been accepted for financing the agent or broker can forget about it because the bank handles all details. It is not required that the policies be kept by the bank.

Claris Adams K. C. Speaker

Claris Adams, president of Ohio State Life, was the speaker at the luncheon Tuesday at Kansas City that was designated as an all-industry affair. This was in connection with the insurance educational program that embraces all lines of insurance.

Good Housekeeping Piece on PPF

The September issue of Good Housekeeping carries a story on the personal property floater, entitled "World's Champion Insurance Policy" written by Richard L. Frey. It highlights a number of unusual losses, including the $150 paid to a suburbanite who sneezed his false teeth into the lawn mower, but goes on to describe the more usual sorts of losses which the policy covers.

First Six Months' Results Shown

	Assets June 30	Surplus to Policyholders June 30	Change in Surplus from Dec. 31	Net Premiums Written First Six Months 1952	Net Premiums Written First Six Months 1951
	$	$	$	$	$
London Guarantee	30,487,766	9,335,164	102,266	9,913,815	7,144,69[illegible]
Phoenix Indemnity	19,483,215	5,402,052	254,560	6,609,210	6,891,16[illegible]

Expert Tells How Local Agents Can Plan to Minimize Their Taxes

C. W. Tye Outlines Programs for Sole Proprietors, Partnerships, Corporations

Some extensive advice on how local agencies can plan adequately for minimizing taxes was given by Charles W. Tye, tax counsel of Royal-Liverpool group, at the convention of Vermont Assn. of Insurance Agents at Lake Morey Inn.

Charles W. Tye

The tax burden of most businesses is higher than it has to be, Mr. Tye declared.

In approaching the subject of how to operate an agency to obtain the lowest tax cost, we are immediately faced with the perennial question: What organization form should be used? Individual proprietorship? Partnership? Corporate? This question is of concern at this time in view of the changes in the tax laws which have necessitated considerable change in the thinking on this subject.

At the present time, current rates on individual taxpayers range from 22.2% to 92% after exemptions and credits. Corporations pay 30% on the first $25,000 of net income and 52% on all income in excess of $25,000. The excess profits tax rate is 30%, so that an over all rate of 82% is applicable, subject to a ceiling of about 70% of the corporate income. However, to gain the full benefit, accumulation of earnings in the corporation is necessary, and section 102 of the code must be watched in the personal service type of corporation to avoid the penalty of unreasonable accumulation of surplus. Also, if the bulk of the income has to be paid out in the form of dividends rather than as interest or salary, the fact of double taxation may be a complete deterrent to incorporation, i.e., the combined corporate and individual rates would be prohibitive.

It is a comparatively easy matter to determine mathematically the income level at which the individual, partner or stockholder receives the same net return. Any such computation, however, has very little affirmative value in and of itself, since the entire problem must be considered along with a number of personal and business factors.

Factors in the Choice

In the light of the 1951 act, as amended in 1952, what are some of these principles and factors affecting the choice, from the tax viewpoint, of the individual proprietorship, partnership or corporation method of doing business? As a broad general principle, agencies with substantial net incomes can often advantageously adopt the corporate organization form while agencies with comparatively small net incomes should utilize the individual or partnership form. It is almost impossible to generalize relative to the selection of the corporate or unincorporated form as to those agencies with moderate incomes. The impact of excess profits tax may be the deciding factor.

Of course, the trend of future tax legislation cannot be definitely predicted so that what may be advantageous today may be disadvantageous tomorrow. This is the calculated business risk in selecting the form of operation. The obtaining of advice of competent counsel familiar with tax laws and geared to tax legislative and judicial trends is a must.

The first modifying factor to these broad principles is the question of compensation to be paid the owners of the agency. Normally, the agency is owned by those who operate it, regardless of its form. Therefore, the selection of the corporate or partnership or individual form depends not only on the amount of earnings, actual or anticipated, but to a great extent upon the amount of those earnings to be paid to the owners in the form of compensation. In the case of the corporate form, it would be ideal to be able to so allocate the earnings between the owner-stockholders and the corporation by increasing or decreasing the compensation in the same ratio as profits are realized and tax rates increased or decreased. However, the Treasury's insistence upon a theory of "reasonable compensation" makes that approach more theoretical than practical. The amount of the compensation should be determined with due regard to the ultimate allowance of the salary as an expense deduction on the income tax return of the corporation. As contrasted with the corporate form, partners or individual proprietors can fix the compensation at almost any amount desired since it is deemed to be in the nature of profits at all times taxable to the partners or individuals (the proprietorship or partnership not being a taxable entity apart from the individuals).

Mistake of Salary Scale

One of the more common mistakes under the corporate form is the tendency at the outset to establish only a nominal salary scale, and then when a later attempt is made to more equitably synchronize salaries with increased corporate profits the owner-stockholders are faced with this "reasonable compensation" test. If unsuccessful in meeting this test, the corporate tax is increased, but no relief is afforded the owner-stockholder since the excess amount to the extent of corporate earnings is deemed a taxable dividend. Some owners have attempted to anticipate this possibility with a degree of success by obligating themselves to return any salary deemed excessive to the corporation. This solution is impractical, as a rule, and may lead to complications under section 102 of the internal revenue code as well as individual tax complications.

This potential danger can better be avoided by not incorporating during the early life of the agency, assuming delay is feasible. Incorporation can then be accomplished at a later date, at which time salaries can be fixed commensurate with anticipated corporate earnings. Another reason why it may not be wise to incorporate at the outset is that losses may occur during the early life of the agency until the leveling off process begins. These corporate losses cannot be offset against any current income of the owner-stockholders, and the chances are the carryover of such losses to subsequent corporate returns for two years will not fully recoup them. If not incorporated at the outset these losses are available offsets to other income of the individual proprietor or partners.

The second factor to be considered in making the choice between the corporate, partnership or individual pro-

(CONTINUED ON PAGE 33)

ACCIDENT AND HEALTH

Student Accident Cover Expanding

Student accident coverage, which for several years has been widely offered in the middle Atlantic states, is now spreading to contiguous territory. This coverage, usually sold at $1 or $1.50 a year, generally covers any accident while a student or teacher is in process of going to or from school, or is at school, with some inter-scholastic sports excluded. Fees of legally qualified physicians, surgeons and professional nurses; ambulance and hospital bills are payable up to $1,000, and expenses for dental care to natural teeth damaged in accidents are paid up to $200. There is also an accidental death provision and loss of limbs benefit up to $7,500. Medical expenses are payable in addition to the accidental death benefit.

Pilot Life of Greensboro, N. C., is one of the leading writers of this form, and in the current school year will insure over 1 million children in the southern states. North American Assurance, Richmond, Va., is another big writer of this line.

Set Disability Course for Sept. 22-24 at Cincinnati

Cincinnati Assn. of A. & H. Underwriters and the International association will sponsor a Disability Insurance Sales Course at Xavier University, Sept. 22-24.

Talks will be given by Roy MacDonald, assistant director, A. & H. Underwriters Conference, Chicago; Charles Ray, assistant manager, A. & H. department, Hoosier Casualty, Indianapolis; W. S. Steiger, general agent, Massachusetts Indemnity, Cleveland; Walter A. Robinson, Ohio superintendent of insurance, Columbus.

Carl Lane, field supervisor, General American Life, St. Louis; Louis Furniss, manager of the group department, Inter-Ocean, Grand Rapids, Mich.; W. R. Dignan, broker, Cincinnati, and D. A. Baker, managing editor of Insurance Salesman, Indianapolis, will also speak.

Plan to Merge Ann Arbor Life with Liberty L. & A.

LANSING, MICH. — A unique plan to merge a new stock life company with a well-established fraternal is to be aired in circuit court here Sept. 17. Judge Coash will hear a petition for consolidation of Ann Arbor Life, which started operations as a stock carrier less than two years ago, with Liberty Life & Accident of Muskegon, a fraternal founded about 40 years ago, which now has more than 10,000 members.

Chief Deputy Herbert B. Thompson of the Michigan department said the plan, developed by the Grand Rapids law firm of Warner, Norcross & Judd, embodies a proposal under which Liberty Life & Accident is to be evaluated as a going business, and stock in the merged company representing that valuation would be trusteed under the court's jurisdiction for the benefit of the membership.

The fraternal, whose name would be substituted for Ann Arbor Life under the consolidation program, with "company" supplanting "society" in the title, has been specializing in recent years in small group A. & H. cases, too small to qualify for group contracts with many carriers.

Mr. Thompson said the fraternal has $4 million to $5 million of business in force and its operations have been profitable. It would have the advantage, under the merger program, of being able to issue non-assessable policies. The combined capitalization would approximate $400,000.

Ann Arbor Life is headed by John B. Ames, formerly with Lincoln National Life at Detroit, and Joseph E. Reault, formerly of Maccabees and earlier actuary of the Michigan department, is secretary. W. F. Murray is president of Liberty L. & A., and W. H. MacCurdy is general manager. Mr. MacCurdy is slated for president of the consolidated carrier, according to reports reaching the department.

Mr. Thompson said the Muskegon carrier originally was formed as a railway men's "relief association" but its fraternal features have been dropping farther into the background in recent years. He regards the merger proposal as an eminently sound one with advantages to policyholders of both carriers. Whether the consolidated company would be located at Muskegon or Ann Arbor has not been decided.

L. L. Johnson in New Post for Bankers Life & Casualty

Lester L. Johnson has joined Bankers Life & Casualty in the newly created position of executive sales coordinator.

Mr. Johnson is a graduate of the University of Chicago. He started in insurance with Continental Assurance as salesman, and later served in the advertising department. He was elected agency vice-president of that company in 1930, and for the past 14 years has been vice-president and agency director of Central Standard Life of Chicgo.

Plan Buffalo Meetings

Buffalo A. & H. Assn. has distributed to its members a printed program schedule for the 1952-53 season. The nine-month program began with a meeting Sept. 8 at which the speaker was Kenneth Mersereau, Monarch Life, Baltimore, member of the executive board of International association, who talked on "International Affairs."

The remainder of the schedule is: Oct. 3, a get-together to watch the world series on television.

Joseph F. Murphy, New York deputy superintendent, will speak at the November meeting on "Current Problems in the Regulation of A. & H. Insurance."

In December, Darrell O. Smith, vice-president of American Casualty, will talk on "Prospects Unlimited."

Harry Schwarzmueller, Buffalo instructor of the Dale Carnegie course, will talk in January on "What Makes a Salesman?"

The speaker and subject for the February meeting will be announced later, and in March the association will sponsor its 1953 sales congress. In April is scheduled the election of officers and the report of the president, and in May the meeting will consist of a panel of four hospital superintendents and managers discussing "Your Hospitals—Your Clients—Our Mutual Problems."

Robinson at Columbus

Columbus Assn. of A. & H. Underwriters opened the fall and winter season this week with a talk by Walter A. Robinson, Ohio insurance superintendent, who discussed how the A. & H. associations can enhance the prestige of the A. & H. business and how they can work with the insurance department.

Speech Expert at Milwaukee

Al Sokolnicki, supervisor of speech at Marquette University, spoke at the September meeting last week of A. & H. Underwriters of Milwaukee. His subject was "People Are Your Business."

Shift Chapman to Coast

Leslie E. K. Chapman, since 1950 field supervisor for Union Mutual Life at Dallas, has been transferred to northern California with headquarters at San Francisco. He will specialize in the development of non-cancellable A. & H. business for Swett & Crawford, Pacific Coast managers of Union Mutual. He started with Loyal Protective in Ontario, spent six years in the Canadian army and joined Union Mutual there in 1948.

Empire State Joins Bureau

Empire State Mutual Life of Jamestown, N. Y., has joined Mutual Life Bureau of A. & H. Underwriters, bringing membership in the bureau to 82 companies.

Cal. Names 2d Insurer

The California insurance department has named a second company in its campaign against allegedly deceptive advertising on disability insurance and Commissioner Maloney states that the advertising copy of other disability insurers is being scrutinized and further action may be expected. The first company named was World of Omaha and the second is United of Chicago. United has 15 days to answer the charges and demand proof of them at a public hearing.

Elston to Washington Nat'l

Frank C. Elston, with Philadelphia Life for 6½ years as advertising and sales promotion manager and publications editor, has joined Washington National in a similar capacity in its general agency department.

A graduate of Rider College, where he majored in business administration, Mr. Elston also attended the coast guard academy and did post-graduate work at Temple University.

FSA Has "Book on Aging"

WASHINGTON — Simultaneously with the meeting of the Gerontological Society here, federal security agency has released a "Fact Book on Aging." Replete with charts and tables, it deals with many factors involved in the increase of aged and aging persons in the United States.

Form Eagle American Agency

Warren E. Klug and Gerrold L. Brosilow have founded the Eagle American Insurance agency at 300 Washington street, Chicago. The agency will write A. & H. contracts exclusively. Mr. Klug was formerly sales manager for Beneficial Standard Life.

Different Buyer Appears for Producers Ins. Co.

North American Title Guaranty Corp. has offered to buy Producers Ins. Co. of Oakland, Cal., from Producers Underwriting Corp., and the directors of the latter have recommended that this be done.

The directors state that the sale to George Stewart, which was approved at the last stockholders' meeting was not approved by the insurance commissioner and that Hunt Foods is no longer interested in purchasing Producers Ins. Co. At Aug. 31, Producers Ins. Co. had assets of $123,317, capital $100,005 and net surplus $1,261. The price is the net worth of Producers Ins. Co. as of Aug. 31, plus $19,000, less the sum of $50,242 with interest, which sum represents the aggregate face amount of series A contribution certificates issued by Producers Ins. Co.

Asks O. D. Cover in Okla.

Enactment of legislation to include occupational diseases under the Oklahoma workmen's compensation law has been recommended by Labor Commissioner Hughes. Recalling that Governor Murray vetoed an occupational disease bill passed by the last session legislature, Mr. Hughes said:

"It seems that the governor was not opposed to the legislation but objected to certain language in the bill which might make it unworkable. There seems to be no reason why this cannot be corrected in the session next January."

N. Y. Attorney in New Book Blasts Warsaw Convention

Harold J. Sherman of the New York law firm of Fittelson & Mayers in his new book, "The social Impact of the Warsaw Convention," argues that the limiting provisions of the Warsaw convention are actually without legal force.

By joining the convention, Mr. Sherman avers, the government placed an arbitrary money value on American lives — the limit set for damages on loss of life in international air travel being pegged at $8,291.87. Mr. Sherman lost the Lee case, which revolved upon the Warsaw convention, and his book is published in order that that case will not stand unquestioned as a precedent.

He notes that if a passenger is injured or killed in an accident on an American railroad or domestic air line, his dependents can claim full recovery of damages up to several hundred thousand dollars. Responsibility involved is an incentive to greater care for safety of passengers. Some of the provisos of the Warsaw convention are ambiguous, Mr. Sherman declares, and the principles of their interpretation by the courts deviate from many precedents in interpreting the responsibility of common carriers.

The book is published by Exposition Press of New York and is priced at $3.

Herring Made Ohio Manager

American Indemnity has appointed C. M. Herring, Jr., state manager for Ohio, succeeding Ralph O. Bristol, resigned. Mr. Herring has been with the company 15 years, having been manager at Newark before his transfer to Ohio.

T. M. Finholm Joins McGee

Thomas M. Finholm has resigned as Kansas City surety manager for Maryland Casualty to join the staff of the Thomas McGee & Sons agency of that city. Formerly, Mr. Finholm handled Maryland's contract bond department at New York and before that was manager of the judicial department. In his earlier days he was with Globe and Royal Indemnity at New York as bond special agent and as underwriter in the judicial department.

Cal. Hearing Sept. 23-24

The California senate interim committee on workmen's compensation benefits is holding a hearing at Los Angeles, Sept. 23-24 on medical services to injured workers, official medical fee schedule, rehabilitation and restoration of injured workers, uninsured employers and serious and willful misconduct.

Mackall Course Scheduled

The fall course of the surety educational program of Luther E. Mackall, retired vice-president of the National Surety, will be offered in five eastern cities during October and November. The one-week course is scheduled for Boston beginning Oct. 20; Baltimore, Oct. 27; Washington, Nov. 3; Pittsburgh, Nov. 10, and Philadelphia, Nov. 17.

Adjustment in N. J. Rates

Compensation Rating & Inspection Bureau of New Jersey has had under contemplation the adoption of a retirement plan for its employes. However, the 0.2% included in the manual rate change effective July 1 now is being adjusted out because the retirement plan has not yet been actually adopted.

Standard Accident Names Two

Douglas C. Short has joined Standard Accident at Atlanta as a safety engineer. He has been a communications officer in the air force.

J. Walter Quigley has been placed in charge of all claim work at Albany for Standard Accident. He has been claim

IN TWO YEARS

Giant Bridges, Tunnels Tax World Insurance Market

NEW YORK — In the past two years probably more than $250 million of bridge and tunnel liability has been put on the books of insurers around the world. Along the east coast alone, from the Brooklyn-Battery tunnel to the George P. Coleman memorial bridge at Yorktown, Va., six major structures of this kind have accounted for the addition of more than $200 million of liability in that time. One large insurer wrote twice as many B. & T. premiums in 1951 as in 1950.

Each of these developments taxed the capacity of the world wide insurance market. Each represents a lot of value exposed in one spot, and the structures are highly vulnerable. A break in a single section of a bridge, and it is likely the entire structure is gone. Even with all of the additions to the class that have occurred in the last few years, there is still not enough premium to enable it to stand on its own feet, if there were a single large loss.

Written 80% to Value

One way in which insurers have improved their position with respect to such risks is insistence on coinsurance, on physical damage at least 80%. In the inflationary period since the early 1940s, the values of some bridges have doubled and the insurance with them.

The coverage is all risk, including earthquake — and even including theft, although there is no record in the business of a theft of an insured bridge. There was one small country bridge cut up with a torch and stolen piece meal. The authorities found the remains in the local junk yard. The coverage excludes wear and tear, deterioration and the like, unless it results in collapse, etc. It is about as all all risk as any coverage in the business.

When these structures have come on the market, it has taken producers and underwriters in many cases a considerable time to tap enough capacity to meet the requirements. The schedules are sent to underwriters in this country and abroad, there is much checking of reinsurance cessions and retrocessions by underwriters in order to avoid overloading, and not in every case have purchasers been able to secure as much coverage as they started out to get.

Insurance Values Up Quickly

Some of the structures were not as much as two years old when it was necessary for the authorities that operate them to come back into the market and secure additional coverage to keep insurance 80% to value; inflation had already raised the replacement cost sufficiently to throw the program out of gear in relation to coinsurance requirements.

There is $49 million of physical damage cover on the Brooklyn-Battery tunnel, which connects lower Manhattan with Brooklyn and the south side of Long Island. U. & O. on this tunnel is $6 million. The tunnel is operated by the Triborough Bridge & Tunnel Authority, a New York quasi-governmental body, which also operates the Queens midtown tunnel, insured for $36 million; the Triborough bridge, Whitestone bridge, Marine Parkway bridge; Henry Hudson bridge, and others. The Triborough authority carries $75 million on bridges alone.

The Chesapeake Bay bridge, connecting the eastern shore of Maryland with the mainland of that state, and opening up the eastern shore to easy access by motor car (much to the horror of the older residents there), is insured for $32 million. The Delaware Memorial bridge, which replaces the Pennsville Ferry at a point south of Wilmington across to Deepwater, N. J., and attaching to the southern end of the New Jersey turnpike, is insured for $26 million physical damage and $6 million U. & O.

The New Jersey turnpike has a number of bridges, the two largest of which are those across the Hackensack and Passaic rivers. The Hackensack bridge is insured for $7.5 million and the Passaic $11 million. These two have the longest girder spans of any bridge in the U. S., each containing 375 foot plate girder spans. The U. & O. coverage of $12 million is written blanket on the turnpike as a whole, instead of on any one facility.

This is a requirement of underwriters in view of the fact that one facility might be thrown out of commission, but much of the turnpike remain in use. Underwriters follow this procedure on such systems. For example, Port of New York Authority carries blanket U. & O. If one of its three Hudson crossings, Holland or Lincoln tunnels or George Washington bridge, were knocked out, the traffic might be diverted in its entirety to the other two facilities and the authority's income not reduced. When a truckload of explosives blew up in the Holland tunnel, the U. & O. loss was said not to have reached the deductible.

Usually 1% Deductible

Both the physical damage bridge and tunnel cover and the U. & O. are written with deductibles; the physical damage deductible usually is one percent of the insurance amount although in some cases it has been written at 2%.

The Jersey Turnpike, opened last Nov. 5, several weeks ago passed the 10,000,000th mark in cars using it and $9 million of income from tolls.

The Elizabeth River Tunnel Commission operates the tunnel under the south bridge of the Elizabeth river and the bridge over the east branch of that river at Norfolk. The bridge is insured for $3,500,000 and the tunnel for $10 million with $4 million U. & O. on the two facilities. This combination of approaches was made necessary because of navy use of the east branch.

There is $7 million physical damage cover on the George P. Coleman memorial bridge spanning the York river at Yorktown, Va. In a sense, this is a part of the system that begins with the New Jersey turnpike and that has as its purpose facilitating motor travel up and down the coast. Maryland has a bridge over the Potomac south of Washington. The idea is that many people can now come down the eastern shore, cross the Chesapeake Bay bridge, move on across the Potomac bridge, cross the York river at Yorktown, continue on over the James river system of bridges to Norfolk and south along the coast. The bridge at Yorktown has as one feature two adjacent swing spans that are novel in design and that permit the passage of naval traffic to naval facilities up the river, a navy graveyard, etc. Water under the bridge is said to be 80 feet deep.

Largest B. & T. Insured

Port of New York Authority is probably the largest bridge and tunnel insured in the world. Its schedule for physical damage is $170 million, and it carries $30 million of blanket U. & O. on its Hudson river crossings and $3 million U. & O. on its Staten Island crossings. It operates the Holland and Lincoln tunnels, and George Washington, Bayonne, Goethals and outer bridge crossings, the latter three to Staten Island.

There is some talk that the Pennsylvania turnpike will be connected with the New Jersey turnpike by a bridge over the Delaware. Another bridge over San Francisco bay also has been discussed. Although such facilities press the world market for capacity, in the

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case of the San Francisco proposal it would be extremely difficult to secure enough coverage because of the earthquake hazard. Insurers watch their total commitments in this area with extreme caution and make every effort to hold total liabilities there to a minimum. Since the coverage is all risk, it would be surprising if a second bay bridge could be insured for its total value. There has even been some talk of building a bay bridge parallel with the present one to Oakland, an idea which makes underwriters shudder, since both would be subject to the same hazards.

It is considered likely that the toll turnpike idea will spread across the country. Ohio is in the midst of preparations to carry the Pennsylvania turnpike idea westward, and some other states are studying similar plans. Generally, the bond indentures for such projects specify that the controlling authorities carry certain coverages, say 80% or more to value, "if obtainable." Such turnpikes involve bridges or tunnels or both. The turnpike has proved its economic soundness as a self liquidating and even profit making venture. In the last war, the Pennsylvania turnpike lost money, due to the interest on bonds, but its income has swelled tremendously since.

SWEENEY AT AMERICAN

Insurer Visits by Teachers Are Education Landmark

The program under which university teachers of insurance spend several weeks at the offices of insurers, rating bureaus, and other organizations is being watched with interest by both teachers and insurance people. The professors are inclined to insist that they are getting more out of the program than the insurers, but some executives have commented that the reaction of teachers to day to day contact with various aspects of the business and some of their observations have been enlightening on the other side.

Victor V. Sweeney, professor of insurance at the University of Florida, Gainesville, whose fellowship took him to American of Newark, is in at least one respect not typical of most of the other teachers of insurance. He began his teaching career after 18 years with Travelers, much of that time in Philadelphia. He went to the University of Florida five years ago as an assistant professor, later became associate professor and now is full professor. In that time he spent nine months at the University of California at Los Angeles on loan to install an insurance major course. He is a C.P.C.U. and has a master's in insurance from the University of Pennsylvania. During his career at Travelers he lectured at the University of Newark on insurance subjects and later at the Insurance Society of Philadelphia.

Program's Value to Education

However, his insurance experience was mostly concerned with casualty, and his interest at American has been especially in fire insurance. He regards the fellowship program, sponsored by National Assn. of University Teachers of Insurance and supported by the insurance business, as an extremely valuable, long range program.

He points out that the program has enabled teachers to observe insurance in practice and to learn what it is impossible to secure from textbooks or other sources. This is especially true of home office practice. This is Mr. Sweeney's second year as a fellow; he spent six weeks in the summer of 1951 at the head office of Peninsular Life.

He regards the program as perhaps the most important step ever taken in insurance education. It gives the insurance teacher a real chance to bring into the classroom the insurance business as it actually operates. It enables the teacher to enrich textbook information with examples. The effect on students has been extremely good; one result has been to freshen up courses.

Accommodation Is Daily Problem

Though Mr. Sweeney was aware that insurers take accommodation business, a teacher who has not been in an insurance company or branch office or agency would not know that this is a daily problem. It is an important factor to keep in mind in any discussion of agency management, and Mr. Sweeney in his courses on agency management goes into the problem of the agent who abuses the insurer's willingness to go a certain distance for accommodation.

One day Mr. Sweeney spent going the rounds with a loss adjuster. The adjuster ran into one case where it was touch and go whether the fire was hostile or friendly. It was a good illustration of how the practicing adjuster has to keep his customer happy and at the same time explaining the technical difference in insurance between a friendly and hostile fire. In this case the fire was both, but the adjuster was able to reach a satisfactory conclusion.

The two also examined the results of a serious fire. Here a technical description of how the fire spread was a part of the education Mr. Sweeney received. The fire occurred on the third floor. The adjuster (and Mr. Sweeney) learned how the fire department quickly threw tarpaulins over the contents on the second floor, to hold down the amount of loss.

Lightning and TV Set

Another loss examined was a TV set which had been almost destroyed by lightning. This had to be determined beyond question by the adjuster. The cause was lightning and adjuster and insured reached an agreeable settlement.

Mr. Sweeney also spent one day in the field with a special agent. They looked over one risk to see if it should be submitted for rerating. After checking, the field man determined that it was, and it will be. This decision was based on the field man's observation of a better distribution and an increase in the number of fire extinguishers, an important point. There had been slight structural changes and a rearrangement in the flow of work, which were influencing factors.

Mr. Sweeney followed a fire daily through the home office, from the time it was received to the time its processing was completed. In doing so he came across several underwriting problems. There was one case in which the individual risk was satisfactory, but it belonged to a class on which the company had a comparatively low net line. The question of course was whether it should be taken for the sake of the agent.

Why Agent Must Underwrite

Mr. Sweeney points out that not everything in the business runs by rule. In agency management, for example, the agent has to be a good underwriter. If he isn't in sympathy with the underwriting principles of his company, he should change companies. In the insurance course given to agents at the University of Florida on agency management, emphasis is placed on showing why the company must consider its lines, and why the agent must be a good underwriter.

He was impressed by American's system of recording fire liability. The company no longer uses maps but employs 5x8 filing cards to enter essential information. All textbooks refer to maps.

He noted also the decreased use of treaties in fire reinsurance. From textbooks, the conclusion would be that there are only the treaty and facultative routes being used. Incidentally, Mr. Sweeney during his stay at American spent some time with a reinsurer.

One of the teachers' problems is to secure maximum effectiveness in a short (usually six weeks) time, and here the answer is a good practical working outline that properly divides up the teacher's time. Mr. Sweeney was much impressed by the amount of ground he was able to cover in four weeks, largely as a result of the very skillful schedule which John J. Leddy, educational director of American, had prepared for him. It was especially fitted to his needs.

In addition to the home office, Mr. Sweeney spent two hours with Fire Insurance Rating Organization of New Jersey, where he listened to a discussion of the proposed simplification of the rating of small mercantiles.

He also spent some time at National Board. He said that for his courses he doesn't have very much readily available on the operations of the board, but that his visit to the board will correct this. He was impressed by the amount of material available at the library maintained by Insurance Society of New York.

The last two weeks of his stay were devoted to various marine lines and visits at Marine Office of America, marine rating organizations, etc. He spent one day in casualty claims, regarding this as sufficient for one who had spent so many years in the casualty field. He said his knowledge of general cover business was greatly improved.

Also teaching at the University of Florida is another former insurance man, G. W. Crist, Jr., who was at one time resident vice-president of Fidelity & Deposit in New York.

Leedy Elected New Head of Ohio Fire Underwriters Assn.

CINCINNATI—Following the resignation of Roger S. Olsen, state agent of Continental, as president of Ohio Fire Underwriters Assn. at the fall meeting here, Robert W. Leedy, state agent of Crum & Forster, vice-president, was elected president. Mr. Olsen will supervise Indiana for Continental and American Eagle at Indianapolis.

The meeting here started with a business meeting of Ohio Blue Goose at which 17 candidates were initiated. The baseball game, golf tournament and dinner drew an attendance of 300. Reports on the Blue Goose grand nest meeting were given by John W. Weddell, Factory Insurance Assn., most loyal gander; Fred I. Sipp. Hartford supervisor, and W. K. Wissler, Automobile, guardian. Ohio, with 66 members, had the largest numerical increase of any pond.

The Ohio pond will observe its 50th anniversary in 1955 and Alfred S. Snow, Camden, has been appointed chairman of a special committee to make plans for the observance.

Paul Bowers, Industrial Appraisal Co., Toledo, past most loyal gander of the Illinois pond, gave the charge to the goslings. J. J. Work, Ohio Farmers, extended an invitation from the new Maumee puddle for the fieldmen's meetings Nov. 10-11 at Toledo, the first to be held there.

Mr. Olsen was guest of honor at a dinner given by the officers and executive committees of Ohio Fire Underwriters Assn. and Ohio Fire Prevention Assn., of which he is the immediate past president. He received a traveling bag from Mr. Leedy on behalf of both groups. He was made an honorary member of Fire Underwriters Assn. along with A. B. Fipp, Crum & Forster, and Carl T. Thalgott, Camden, both retired.

The southern team captained by J. C. Rielege, Frederick Rauh agency, Cincinnati, won the baseball game 12 to 11. Golf prize winners were Paul Krotzer, Continental, Cincinnati, Fire Underwriters Assn. trophy for low net; Martin Euler for low gross.

TO EYE DEDUCTIBLE

At the Sept. 11 meeting of Automobile Claims Assn. in New York City, the $50 deductible automobile comprehensive clause and the new auto mobile dealers' form will be discussed.

Tye Gives Tax Counsel to Vt. Agents

(CONTINUED FROM PAGE 29)

prietorship is the matter of retention or distribution of the business profits. This problem is especially peculiar to an agency. In the case of a corporation it is true that the earnings retained in the business may bear a lower rate of tax than the retained profits of an unincorporated business, but the retained earnings usually cannot be used for personal purposes; and, if an attempt is made to borrow from the corporation, the owner-stockholders are in danger of having the loans treated as dividends from a tax standpoint, although a general creditor of the corporation could treat them as true loans. Partners and individuals, on the other hand, may exercise their unrestricted judgment in the control and use of surplus earnings.

Further, section 102 is a continual threat to the closely held corporation. The burden of satisfying the Treasury and the courts that accumulated earnings have been retained for valid and reasonable business purposes is one that does not rest lightly upon the shoulders of those charged with the determination of the corporate dividend policy. This additional drain of a penalty tax is quite a penalty to pay for the advantage of a corporate form. Also, the problem becomes more acute when it is realized that section 102 is not a marginal proposition. Contrary to popular belief, if any part of a given retention is found to be "unreasonable" the penalty rates apply to the whole retention, not just the unreasonable amount. Oddly enough, however, there are situations where even with the penalty for an unreasonable accumulation the aggregate tax is smaller than if most of the earnings were distributed as dividends. This is a case where the combined corporate rates, regular and section 102, are less than the applicable individual rates of the stockholders.

Levels Off Term Commissions

In this regard, the corporate form may tend to level off the peaks and valleys of taxable income of an agency having substantial term business with large prepaid commissions. The Supreme Court has held, and the Treasury has continued to insist that commissions on term business must be reported as received and may not be reported over the period of the policy irrespective of the contingency of having to return commissions upon cancellation prior to expiration. Usually, of course, agencies reserve against this contingency but such a reserve has been treated for tax purposes as purely voluntary—therefore not deductible. However, since the corporate tax rates are not graduated, except in low brackets, the receipt of substantial commissions by the corporation would not abnormally increase the overall tax liability of the stockholders to the extent retention by the corporation without violation of section 102 is possible. Distribution out by the corporation of such excess earnings can then await a more favorable year when the income of the stockholders will not be unduly inflated, or when the tax rates are more favorable.

The third factor is the element of double taxation ever present in a corporate form where profits are taxed first to the corporation and then taxed as dividends to the stockholders. Partners and individual proprietors are only taxed once. Accordingly, the partner or individual has no problem of profit withdrawal. Necessarily, a close estimate of corporate earnings and dividend payments is essential to a determination of the relative tax advantages of the corporate or non-corporate form. Entirely apart from the double tax of dividends, it is often overlooked that double taxation may occur when the corporation is liquidated or when the stock is sold. At that time the corporate earnings will be reflected in the increased net worth of the corporation. Normally, this enhanced value of appreciation is taxable at long-term capital gain rates rather than ordinary rates. However, some of the tax saving made through retention of earnings will be dissipated on sale or liquidation. On the other hand, assuming the tax has been paid on the current earnings, there is no tax on the liquidation (as distinguished from sale) of a partnership as such, since all partnership income has borne its share of the tax as earned.

Outside Income

The fourth factor having significance, to a relatively few, is the status of outside income of the owners. In the case of the unincorporated agency, the outside income is added to the partnership or proprietorship income and is subject to the top income surtax rates. In contrast a stockholder having outside income has added to it only the amount of corporate salary and dividends received. Income left in the corporation is usually not subjected again to tax until distributed, and if distributed in complete or bona fide partial liquidation would go out to the stockholder-owner at capital gain rates.

Some of the more specific tax problems facing the various types of agency were taken up by Mr. Tye.

THE ONE-MAN AGENCY

The tax problems of the one-man agency are not essentially different from those of any other sole proprietorship of a personal service nature. He naturally wants to be sure he is operating his agency with a minimum of tax cost. However, the established fact is that there are only certain basic methods whereby an individual can legally reduce his tax cost. They are:

(1) Taking advantage of all exclusions from gross income.
(2) Taking or shifting allowable deductions.
(3) Shifting income to more than one entity or to different years.
(4) Converting ordinary income into capital gain incomes.
(5) Claiming dependency credits properly.
(6) Electing the use of tax forms, accounting basis, and joint or separate return privileges which result, from year to year, in the smallest tax.

Often taxpayers are so concerned with deductions that they neglect exclusions or fail to appreciate the limitations on dependency credits. The exclusions include tax-exempt interest, gifts, loans, bequests, damages, life insurance proceeds and annuities (with certain exceptions). Exclude these items from gross income—if you do not, the bureau probably would not call it to your attention. Also, if your son is working temporarily only, you ought to see that he does not earn a few dollars more than his exemption credit.

No More Husband-Wife Problem

Now that husbands and wives are permitted to divide their income, one of the most vulnerable tax steps (attempting to shift income to the wife) no longer is a problem. The one-man agency, therefore, need not become involved in a husband and wife partnership under existing tax laws. It has the benefit of such tax treatment without all the collateral problems which such partnerships create. Whether a joint return should be filed is, except in unusual cases, essentially a question of arithmetic since the tax advantages flowing from the filing of a joint return and the attendant income-splitting increases with the disparity between the income of spouses. Where the wife has no income the advantage is the greatest, decreasing as the incomes approach each other.

It should be realized that you have considerable discretion in the timing

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of your deductions, with the result that by shifting them from year to year, you may better control the impact of tax law. For example, if your agency is embarking upon an advertising campaign, you may wish to give consideration to timing this expense so that the income to result from it will fall in the same taxable period in which you incur the expense. In these situations, however, your choice of accounting methods may control since if you adopt the accrual, rather than the cash method, you will have to accrue the expense without being able to accrue the income. Probably, the cash method is preferable in the smaller agencies since (1) it is simple, no foresight or hindsight being necessary for the setting up of accruals, and (2) taxes are not payable until the cash with which to pay them is at hand.

Utilize Home as Office

A useful inexpensive way to take advantage of tax reduction, particularly during the early stages of your agency, is to utilize your residence as an office. To the extent you can do this without unduly affecting the growth of your agency, a substantial saving results through the claiming of depreciation, repairs, light, heat, etc., not otherwise deductible if you were using your home solely for residence purposes. Your deduction is limited to the ratio of space used for office compared with what is used for residence. It is important, in this regard, that accurate records be kept in order to substantiate the deductions claimed. The same is true with respect to your automobile used both for pleasure and business.

Entertainment expense is usually a substantial item in the case of an insurance agency. The rule is, however, that there must be some tangible evidence that business was increased—not merely the vague expectation that some business would result. This is especially true in the case of country club or other club expense.

Often it is not feasible to start an insurance business in a community without buying an established agency. In this situation the purchaser and seller of the agency have conflicting interests which should be clearly understood. The seller, as a rule, is interested in having the purchase price treated as a long-term capital gain in order to utilize the effective 26% tax rate. The purchaser, on the other hand, normally wants to deduct a part of the purchase price as acquisition expense. Usually, of course, the transaction is nothing more than a single sale with the result no deduction is allowed the purchaser. However, it is customary for such agreements to contain a covenant that the seller will not compete for a specified period of years. It is this covenant which has tended to create a tax problem for the seller, and a tax advantage to the purchaser. Thus, if under the agreement, no part of the consideration is allocated to the non-competitive covenant, it is now established that the excess of value over the physical assets is good will and capital gain treatment results. The only question is the cost basis of the good will, which if built through the personal effort of the seller since 1913 (the effective date of the income tax law) will probably be zero. Consistent with such treatment, the cost of good will is not deductible by the purchaser. A recent case has held that good will and customer's lists (expirations) are capital assets and their status, as such, is not changed by the non-competitive covenant contained in the agreement.

Segregate Competition Covenant

The established tax rule in these situations is that if the covenant not to compete can be segregated, then the amount paid for the covenant is ordinary income and not capital gain to the seller. However, where the covenant not to compete accompanies the transfer of good will and it is apparent that the covenant has the function primarily of assuring to the purchaser the beneficial enjoyment of the good will which has been acquired, the courts regard the covenant as non-severable and as being, in effect, a contributing element to the assets transferred.

PARTNERSHIP AGENCY

Assume that the one-man agency has progressed to the point where operation as a partnership seems necessary in order to more effectively broaden the scope of its operations. At this point, it is of utmost importance that existing as well as future tax problems be anticipated and dealt with to the end that the agency will continue to be operated with a minimum of tax cost. There are many important tax differences between the partnership method of operating an agency and the sole proprietorship even though the total income in both cases is fully taxed to the individuals, the partnership not being a separate taxable entity apart from the partners. Knowledge of these differences and use of them at the outset may result in substantial tax saving.

At the time of formation of the partnership, in addition to the usual legal and accounting problems involved, the following additional matters should be considered:

(1) Death, insanity or incompetence of a partner.
(2) Plan of handling estate's or widow's interest.
(3) Method of admission of new partners or retirement of old partners and the financial considerations involved.
(4) Method of accounting to be employed, and taxable period, whether fiscal or calendar.
(5) Whether the investment shall consist of cash, property or services, and the method of determining the value of the latter two.
(6) The distribution of profits. This is purely contractual, and will stand unless there is an effort made for one partner to assume the earnings of another for tax reduction purposes. For example A and B are equal partners in the agency. At the end of the year they agree with each other that since A produced 80% of the income through his individual effort and solicitation that the profits be divided 70-30 instead of 50-50. Whether this would be permitted is open to question, whereas if at the outset of the partnership agreement provides that earnings be reallocated on the basis of income produced by the individual partners there would seem to be no possibility of setting it aside. Also, such a provision could be more flexible by permitting bona fide alterations during any tax period. The point is that there should be agreement before and not after the profits have been earned by the partnership.

Need Well Drafted Agreement

It cannot be emphasized too much the necessity for a well drafted partnership agreement defining the rights and obligations of the respective partners during the operation of the agency as well as upon its dissolution, sale or liquidation. In this connection, the need to formalize a husband-wife agency partnership is no longer necessary. In fact, the very vulnerable features of such an arrangement no longer plague this type of partnership, but do not lose sight of the fact that the Treasury Department is continuing its attack on other forms of family partnerships.

Following formation of the partnership, one of the first steps is to choose a taxable period. Under the law and regulations a partnership may choose any taxable period it desires, whether it be calendar or fiscal and irrespective of the taxable year of the individual partners comprising the agency. Since tax rates may become lower in succeeding taxable periods, it is advisable for new partnerships to choose the latest fiscal year possible so that the first taxable year's profits will be deferred.

New Partners

The admission of new partners presents certain tax problems. The tax law is still unsettled as to whether or not the admission of a new partner results in the creation of a new partnership, although the Treasury has ruled that any increase or decrease of membership gives rise to a new partnership entity. Whether a new entity is created is important to the question of whether elections are revived. For example, if the new entity wishes to adopt a different fiscal tax period, approval of the commissioner would be required unless a new partnership has resulted. In a recent case on this point it was held that where the new partnership chose to report on a fiscal basis, whereas the old reported on the calendar, no permission was necessary. The commissioner has now acquiesced in this decision. It may be that the applicable state law is controlling as to whether a new partnership is created or the old just continued. Generally, however, the commissioner has not felt himself necessarily controlled by the status of taxable entities under state law. Should this question become material in a given situation, counsel should review the applicable state and federal court decisions before deciding what steps to take.

One of the most perplexing of all tax problems is that facing the partnership upon the death of a partner. Where, as is now customary, the partnership agreement provides that certain payments are to be made to the deceased partner's estate or widow or other relatives, it is absolutely essential to understand the legal principles relating to the so-called "purchase rule" and "income rule" if costly tax consequences are to be avoided.

Switch to Pay the Estate

Personal service agency partnerships present special problems inasmuch as the capital investment is generally low and tangible physical assets limited. Usually, a survivor-purchase agreement predicated upon an outright sale of the decedent's interest in such limited assets would be of nominal value, even assuming good will is included therein. The modern trend is away from this form of limited "pay-off"; and, in its place, it is becoming increasingly more common to provide for some payment to the estate in excess of whatever physical assets the partnership may own. This may take a lump-sum payment form, in which event the tax consequences are essentially that of a purchase-sale arrangement. Or, more often, the surviving partners agree to pay a specified percentage of profits to the estate for an agreed period of time. Where this method is used, the tax consequences are determined by the nature of the agreement and the intention of the parties.

That care should be exercised in deciding which method to use is readily apparent when it is realized that the "purchase rule" subjects surviving partners to income tax on the earnings used to discharge the payments, whereas under the "income rule" the transaction is not considered a sale with the result that it is as if the estate or widow continued as a partner. In this case, the surviving partners receive a tax benefit in that such payments are deducted from the surviving partners' net income.

Trend Away from Purchase Rule

The recent trend of the tax court is away from the "purchase rule" in the case of personal service partnerships. The theory being that inasmuch as there is only nominal capital investment and physical assets, the payments to the estate are payments of income and

not capital. Accordingly, if it is desired that the estate rather than the surviving partners should pay the income tax on the payments, the agreement should studiously avoid any language indicating a purchase or sale. Such language is indicative of an acquisition of the decedent's capital investment, with the result that no deduction would be allowed surviving partners. It is suggested that the consideration for such an agreement be stated as the mutual undertaking of the parties to pay the specified sums to the estate. This will tend to negative a contention that the sale of the decedent's interest was the consideration. Also, the payments should be in the form of a percentage of current profits to strengthen the "income rule" approach. Predetermined agreed amounts may raise a suspicion of a "purchase."

It should be kept in mind that even though the estate must pay an income tax, it is still subject to an estate tax. The estate tax is based upon the discounted value of the future income payments as of the date of death determined pursuant to a Treasury Department formula. However, section 126(c) of the internal revenue code permits those who subsequently receive the income to offset the estate and income taxes paid on the same income.

Partnership Life Insurance

There is one other phase of the problem which has caused some controversy in cases where life insurance is used to fund the partnership-purchase plan. The insurance plan generally used is a form of cross-purchase arrangement whereby A takes out insurance on the life of B, payable to A, and pays the premium thereon. B similarly insures A's life for his benefit. If A dies first, B receives the insurance proceeds which he is obligated to use to acquire A's partnership interest. At the present time, it appears clear that such insurance is not a part of A's estate for estate tax purposes. However, until recently there existed the real danger that since A was paying the premium on B's life, and vice versa, A would be deemed paying indirectly the premium on his own life, thereby including both the insurance and the business interest in his estate. The Treasury has dispelled, at least for the time being, this danger by ruling it will not attempt to tax both the insurance and the value of the partnership interest.

A variation of this plan is where each partner takes out life insurance on his own life, designating his wife (or possible his estate) as beneficiary, coupled with an agreement to apply the proceeds of insurance against an agreed purchase price of the decedent's partnership interest. Although there is little danger of increasing the estate tax through duplication of estate assets, a serious income tax result faces the survivor in view of the case of Legallet. In this case one of the partners died and the proceeds of the policies were paid to his widow, the partnership interest being retained by the surviving partner. Later the surviving partner sold the partnership and the question was whether the insurance proceeds paid to the widow of the deceased partner could be deemed a part of the cost basis of the partnership in determining gain or loss on sale. The board of tax appeals held that the insurance proceeds could not be included in the cost basis, thereby materially increasing the taxable capital gain. In view of this situation, it is potentially dangerous to name the widow, or possibly the estate, as beneficiary of the insurance where it is contemplated the insurance proceeds will practically pay for the decedent's partnership interest.

CORPORATE AGENCY

The transforming of the partnership or sole proprietorship into a corporation, or the creation of a corporation in the first instance by two or more individuals, can ordinarily be accomplished tax-free by complying with section 112(b)(5) of the internal revenue code. To comply, it is necessary that the sole proprietorship or partnership or partners own at least 80% of the outstanding stock and of all other classes of stock of the new corporation; and the stock of each or long term securities issued must represent substantially an equivalent in assets including cash. In other words, the securities received must be substantially in the same proportion as the assets and cash exchanged. Since capital is usually not too important in the operation of an insurance agency, care should be exercised in so exchanging assets for corporate securities so that there is no needless creation of tax liability at the time of incorporation.

Another problem at the outset is the proposition that once having distributed money or property to a corporation in exchange for stock, it is extremely difficult to get it back without paying a tax. This problem is acute only in the larger agency operations. It is not uncommon for a business man to try to recoup his investment before he considers that he has made a profit, but the tax laws specify that all corporate distributions are considered taxable profits to the extent of earnings, and it is not possible to avoid this result by designating a distribution as being paid out of contributed surplus or capital. Nor is it possible, with limited exception, to reacquire capital funds through a pro-rata redemption of stock since the tax law treats a redemption as essentially equivalent to a dividend to the extent of accumulated earnings. At the present time, the only sure way the capital investment can be recouped without regular income tax liability is by a complete or bona fide partial liquidation of the corporation, in which event the transaction is treated as a sale or exchange on the part of the stockholder, who thus becomes entitled to capital gain or loss treatment.

"Thin" Incorporation

You have now reached the step of actual incorporation, i.e., the transfer of funds or other assets to the corporation in exchange for stock. In the case of smaller agencies, this problem is secondary since capital is not a vital factor in the average insurance agency. However, in the larger agencies, having numerous partners, consideration should be given to the method of advancing funds to the corporation, whether as capital or loans. Because of the rather obvious tax advantage of lending rather than investing in a corporation, there has developed in recent years a tendency to undercapitalize a new closely held corporation by issuing a minimum of stock and then lending additional sums to the corporation, or at the outset issuing both stock and bonds. This process is popularly known as a "thin" corporation.

The commissioner, of course, is aware of the distinct tax advantage of a "thin" corporation, and recently has introduced with some success a new factor in his arguments before the courts. He argues that if loans are made by stockholders at the inception of the corporation in amounts proportionately to the actual capital investment of such stockholders (the amount invested in stock being nominal), then such loans should be treated as capital investments rather than true loans. This argument would seem to be especially pertinent to insurance agencies since the capital needs are secondary.

Accounting Procedure

The first step to consider after incorporation is the method of accounting to employ. In this respect, there are certain elections, but once having made the election it may not be changed without the consent of the commissioner of internal revenue. Most corporations adopt the "accrual" rather than the "cash" method of accounting. The accrual method more nearly reflects true income, and has the decided advantage of making possible the matching of income and deductions whether or not they are actually received or paid during any taxable year. There are certain limitations to the deduction of accrued items where the stock control is closely held. Normally these limitations would apply to the agency form of personal service corporation. For example, interest, rent and other items of income accrued in favor of the owner of 50% or more of the stock of the corporation must be paid within two and one-half months of the close of the taxable year.

Be careful of your corporate expenditures. Do not assume, just because you now have a corporation, that all expenses are necessarily allowable tax deductions. The statutory test is that they must be "ordinary and necessary" corporate expenditures to be allowed; and the Treasury looks with suspicion on an expenditure program which closely parallels the success of the agency, i.e., earnings may not be drained off through the guise of corporate expenses, particularly where the recipients of the payments are also the stockholder-owners. Only the reasonable part is deductible by the corporation, whereas all the disbursement is taxable to the recipients.

All profits and earnings over and above salaries and other proper business expenses are potentially available as dividends. If the corporation distributes, a double tax is incurred since under existing law no dividend-paid credit is permitted. To the extent you do not distribute earnings, then section 102 imposing penalties for unreasonable accumulations must be considered. The Treasury has used the 70% rule in these situations. This is a non-statutory rule-of-thumb for the tentative determination of reasonableness of accumulation. However, you may comply with the 70% rule and still be unable to establish a business need for accumulations of 30%. On the other hand, you may be able to justify the retention of all earnings in order to expand operations, replace facilities, or discharge true indebtedness. You will be suspected if you use the accumulated earnings to invest in unrelated ventures or to loan sums to stockholders. Also, if there are minority stockholders involved, directors may personally have to replace the penalty tax imposed for failure to reasonably distribute the corporate earnings.

Closely akin to this is the unwitting incurrence of the personal holding company penalty tax. In addition to the regular corporate tax, this penalty runs as high as 75 to 85% of the undistributed corporate profits. This tax is applicable to any corporation 50% of whose stock is owned by not more than five persons during the second half of the taxable year; and, 80%, or in some cases 70%, of the gross income from so-called non-operating sources. There is not much danger of an insurance agency being vulnerable to this penalty

tax, unless its investment operations become paramount.

In the event of liquidation of the corporation, gain or loss results to the stockholders. This gain or loss is measured by the difference between the cost basis of the stock surrendered for cancellation and the net worth in assets distributed. One of the problems presented in this situation is where the success of the agency has stemmed from the personal skill and ability of the individuals. Care should be exercised that the element of individual good will does not enter the liquidation of a going corporate agency since it would enhance the value distributed in liquidation thereby increasing the capital gain tax upon surrender of the stock.

What has heretofore been said regarding death of a partner applies, with slight variation, to the death of a stockholder. Purchase-sale agreements are commonly used to cover this contingency. Where such an agreement is funded by life insurance, the surviving stockholders who will purchase the stock of the decedent should apply for the policy, pay the premiums, exercise all ownership rights and receive the insurance proceeds at death. Under this pattern, the insurance proceeds will not be taxed to the decedent, and only his business interest becomes a part of his estate. The purchaser is not required to pay income tax on the insurance proceeds, and the purchase price constitutes the cost basis of the acquired decedent's interest.

A variation of this method is used where a stock retirement plan exists. Under such a plan the corporation undertakes to purchase the deceased stockholder's stock, and takes out insurance on his life to finance the purchase. This plan is feasible only if under the applicable state law a corporation is authorized to buy its own stock. One possible disadvantage is the fact that the insurance proceeds lose their exempt status as insurance if distributed out to stockholders, and would be taxed as dividends. This could be avoided if the funds are paid to the estate in payment for the stock.

NAILS AND BROKEN GLASS

Study Shows Serious Trend of Defalcations in Banks

The deplorable record of irregularities in banks prompted Edison H. Cramer, chief of the research and statistics division of Federal Deposit Insurance Corp., in a speech before Florida Bankers Assn. to call attention to an examination report of a Michigan bank dated April 6, 1838. Among the comments was the following:

"Gold coin was exhibited . . . and nine boxes were pointed out by the teller, as containing $1,000 each. The teller selected one of these boxes, and opened it; this was examined and appeared to be a full box of American half dollars. One of the commissioners then selected a box, which he opened, and found the same to contain a superficies only of silver, while the remaining portion consisted of lead and tenpenny nails. The commissioner then proceeded to open the remaining seven boxes; they presented the same contents precisely, with a single exception, in which the substratum was window-glass broken into small pieces."

Unique Position of Trust

The problem of dishonesty is old, widespread and persistent, he said, but that is no excuse for failing to do something about it. Bankers especially should be steadfast in their efforts to eradicate dishonesty from their business since they occupy a unique position of trust and are responsible for the money supply of the country. They must have the respect and confidence of the public.

For the first time FDIC has analyzed a large body of bank defalcations, those discovered and reported in 1951, to learn how and by whom they were committed.

The number of defalcations reported to the Department of Justice has shown a steady increase, from 270 in 1946 to over 600 in 1951, an increase for the six years of about 125%. After July 1, 1950, reports of defalcations in insured banks by the Federal Reserve Board, comptroller of the currency and FDIC's examination division to the Department of Justice were summarized and tabulated.

First Full Data

For the first time, there is data for a full year on all the cases so reported. There are answers to such questions as who were the guilty persons? how did they attempt to conceal their irregularities? how were their misdeeds discovered? how much did they steal? These answers suggest methods for detecting most irregularities. Prompt and certain disclosure, and punishment appropriate to the seriousness of the offense, will prevent many of these crimes, he said.

The study shows that in the 608 criminal reports in 1951, 759 were persons involved—217 bank officers, 412 bank employes not officers, 73 unidentified employes, and 57 customers. He noted that in most of the banks which have failed because of shortages, the chief executive officer was the person responsible. One person was in complete control and other employes, if any, were dependent on him for their jobs. This is the reason the shortages could grow to a size great enough to wreck the bank. No internal control or audit procedure can remedy this situation. Here bank directors and bank examiners only can bring the irregularity out in the open, and do something about it.

The study shows there are many ways to conceal embezzlement and many variations of each way. FDIC classified the methods of concealment in the 608 cases in 1951 into manipulations, of cash, deposits, and loans, and other irregularities. Each then was divided into several subclassifications. More than one method was used in quite a few cases.

Cash manipulations—abstraction of cash without a false entry on books of the bank to conceal the irregularity—occurred 236 times, more frequently than any other. Three-fourths of these abstractions were in tellers' cash, where 175 shortages were reported. Vault cash was also involved, but only in 26 reports.

Some cash manipulations were called mysterious disappearances, and bank examiners made such remarks as "cash poorly controlled and responsibility not fixed," or "unexplained shortage in teller's cash but other employes used his window," or "this bank has been criticized previously because of its lack of internal controls." This indicates that many of these mysterious disappearances would disappear with better internal control and audit procedures.

From $15 to $30,000

These manipulations ranged from $15, in the case of a teller who admitted abstracting that amount and depositing it in his own account to cover an overdraft, to a shortage of over $30,000. In the latter case, a teller started Dec. 7, and one week later reported his cash as $31,118. When he failed to appear for work the next Monday, his cash was counted at $545.

Two largest currency manipulations were just under $20,000 each. One was a mysterious disappearance of a bag of money purported to have been placed in the bank's vault, one of 29 bags containing cash receipts from the state fair. In an armored truck employes delivered them to the bank early Sunday morning, placing the bags in the book vault. No receipt was given by the night watchman of the bank nor did he check the bags before the vault door was closed. Monday morning they were not moved for about an hour after the book vault was opened. Then, as the bags were being taken to the money vault, one had disappeared. The guilty person remains undetected.

One Defalcator Disappears

The other $20,000 case was discovered at the beginning of a bank examination. One teller was in the habit of starting his work early in the morning. When the janitor, who happened to meet him as he entered the bank, told him that the bank had company, meaning bank examiners, the teller turned around, walked away, and has not been seen since.

A rather interesting case was a shortage in the vault cash of a very large bank. Three bags containing $50 in pennies were labelled with $500 dime tags by some unknown person.

An example of lack of control is revealed in a report of a teller's cash shortage of $1,500. Before the bank opened one morning a teller reported his cash short $1,500. He stated it had all been there the night before. As was customary at that bank, at the close of business for the day, each of 11 tellers placed his cash in a bundle on a shelf in the vault, where it remained until time to close the vault door. The 11 bundles of cash were all on the same shelf but separated by divider cards. Before closing the vault door for the night, the head teller gathered them up and placed them in an inside safe. Any one of 34 officers and employes had access to the vault while the money was on the shelf, so it was impossible to place responsibility. This procedure has been changed.

Cash Manipulations

Cash manipulations also included 14 cases of irregularities in cash items and 21 miscellaneous types such as theft of cash by mail clerks, secretaries and janitors, and shortages in armored car shipments.

Most manipulations were detected by routine checking of the cash by tellers, auditors, or bank examiners.

The next most frequent type of irregularity involved manipulation of deposit accounts, 206. Many of the large defalcations are in this category. Withholding deposits or making unauthorized charges to deposit accounts occurred in 124 cases, 11 in connection with dormant accounts.

One teller withheld a deposit of $12,500 and pulled the ledger card for the account. A dummy card showing the correct balance was placed in the ledger. The teller pulled the dummy and substituted the real ledger card whenever a trial balance was taken. A proof was run during the absence of the teller, and when the ledger did not balance, the manipulation was discovered. In another bank, a teller misappropriated funds by making unauthorized charges against savings accounts. When the teller was away on vacation, a depositor whose account had been tampered with asked to have funds transferred from a savings account to a checking account. This led to the discovery of shortages in several other accounts.

A shortage of over $360,000 was concealed for more than a year by pulling savings ledger sheets when bank examiners were running the ledgers. The commercial ledgers were kept on the second floor of the bank, but the four savings ledgers were posted and kept in a room immediately adjacent to the tellers' cages. This teller made it a point to arrive at the bank before anyone else. He used this as a pretext to assume the responsibility of taking the trial balances on the savings ledgers, and was thus able to conceal the shortages from the bank officers. He succeeded in quickly removing ledger sheets four times, when he saw the examiners coming in the front door. In the 15 months preceding discovery, he financed the drilling of 14 oil and gas wells, became a substantial stockholder in several corporations, and maintained accounts with stockbrokers in his own city and in Canada.

25-Year Stretch

An executive vice-president had been taking funds from his bank for 25 years. He concealed a shortage of over $164,000 by entering erroneous figures in the savings control accounts, removing sheets during examinations, and plugging the adding machine runs when he took trial balances of the ledger. The defalcation was discovered during an examination when the defaulter was on vacation.

A bookkeeper ran her personal checks through the regular channels of the bank, then destroyed them when they reached her department. An examiner found the individual deposit ledger total exceeded the daily statement control. The bank had not found the shortage, because the guilty bookkeeper falsified accounts and forced a balance.

Losses involving customer collusion have been and continued to be a very serious problem. Large losses have been suffered by several banks through the extension of credit by means of unauthorized and unrecorded overdrafts. Strangely enough, the guilty bank offi-

cer or employe in these cases of collusion usually received little or no benefit. Why they behaved as they did is difficult to understand. In most cases the first step was the holding of checks drawn on accounts with insufficient funds in cash items as a favor to a customer, on the promise that a deposit would soon be made. Once involved, the guilty person, through fear of detection, continued to let the customer take advantage of him. Repeated promises were received that funds would be forthcoming, instead the checks drawn by the customer exceeded his deposits in progressively increasing amounts. In some cases the word got around, and other customers started playing the game. Both banks where FDIC has protected depositors this year became insolvent by reason of such unauthorized extensions of credit.

$2½ Million Shortage

The largest shortage reported during 1951, involving $2½ million, was also collusion with customers in overdrafts. The case involved withholding checks drawn on certain accounts, one of which was overdrawn by more than $1½ million. This was done by the assistant head bookkeeper who withheld numerous checks either temporarily or until the shortage was discovered. Another bookkeeper carried on the deception for him whenever he was absent. One duty of the assistant head bookkeeper was to receive from the individual bookkeepers all of the checks which could not be posted because of insufficient funds, supposedly to have such items designated by an officer for posting or for return. When the checks of certain companies appeared on this list, the assistant head bookkeeper removed them and did not submit them to an officer for approval. Concealment was managed by adding to the debit total given to the culprit by the individual bookkeepers at the end of each day's business, the amount of the items withheld during the day and then giving this improper total to the general bookkeeper.

Thus the books balanced, but the general ledger eventually was less by over $2½ million than the balance reflected in the individual ledgers. This was possible because the individual ledgers had not been run simultaneously since early 1947. Fortunately for the bank, substantial recoveries were made after the facts became known, and there was little or no loss to the bank. Nineteen persons were indicted, including the customers whose accounts were involved. The situation came to light as the result of an inquiry by a public accountant who was auditing the books of one of the customers. He found discrepancies in dates on which certain checks were charged to the customer's account. His inquiry led to the confession of the assistant head bookkeeper. Out of these vast manipulations, the two employes got only a few gifts, the most valuable of which was a television set.

Two Other Examples

Two other cases of this type involved amounts of $129,000 and $75,000, respectively. There were eight cases of collusion in overdrafts and 18 cases of collusion in kiting operations reported in 1951.

In addition to the 18 cases of kiting operations with collusion, there were also 17 cases where apparently there was no collusion on the part of anyone in the bank. In some of these kiting operations, the bank was able to recover its funds without loss. One of them wrecked the bank and FDIC advanced funds to protect its depositors.

Withholding of principal or interest payments was the most frequent type of loan manipulation, of 42 cases. A shortage of almost $57,000 perpetrated by an assistant secretary over a 10-year period represented the ledger balances of 39 mortgages which the borrowers had satisfied in full. When the mortgages had been paid, the assistant secretary retained the documents. Thus the note case balanced with the ledger, but, of course, contained worthless notes. A complaint from a customer whose account was charged for interest on one mortgage led to discovery. Another case is almost incredible. An officer withheld interest and principal payments on several notes. Since the notes appeared to be in default, the directors of the bank were advised to charge them off, which they did. The officer then recommended their sale for $100, and purchased them himself. He thus removed from the records of the bank the notes that eventually implicated him.

Forged or fictitious notes were also used to conceal embezzlements. The FDIC study revealed 19 such cases. In one, funds totaling $47,000 were abstracted 1939-51 through fictitious installment notes. The required payments of both interest and principal on the notes were made by the defaulter. The money to do this came from additional installment notes of the same type. The guilty employe, the auditor of the bank, voluntarily confessed before he was even suspected of wrongdoing. In another case, an assistant cashier and an assistant vice-president misappropriated $31,000 received in connection with repossessions in the consumer loan department.

New N. C. Chief Deputy

Richard S. Brantley, for the past year chief deputy insurance commissioner of North Carolina, has resigned effective Oct. 1 to become assistant to S. G. Otstot, executive secretary of North Carolina Assn. of Insurance Agents.

Charles A. Hostetler, a graduate of Wake Forest College, who has been practicing law at Raeford for three years, will succeed Mr. Brantley as chief deputy.

Mr. Brantley is a graduate of University of North Carolina. He joined the department in 1949 as assistant fire actuary.

Templeton, Bauma Named

In view of the retirement of Walter H. Faulkner as Crum & Forster state agent in Iowa, the group has appointed his two principal assistants — Homer Templeton and C. R. Bauma—as associate state agents to succeed him. They ciate state agents to succeed him.

Kokomo Board Elects

Kokomo (Ind.) Insurance Board has elected these new officers: Robert Harness, Lincoln Finance Co., president; H. E. Marsh, vice-president, and Earl Killingbeck, secretary.

Sandy Baxter Dinner

A. W. (Sandy) Baxter of Chicago who retired Aug. 1 as state agent for Scottish Union, is to be guest of honor at a dinner at Chicago Monday that will be attended by a group of about 45. From the head office will be John Newlands, general attorney; G. S. Tompkins, U. S. manager, and P. E. Heath, assistant secretary.

N. Y. Revokes Broker's License

Superintendent Bohlinger of the New York department has revoked all licenses of Thomas P. Tracy, 200 East 21st street, and imposed a $100 fine on Israel Ratney of 110 William street, both of New York City.

Mr. Tracy was charged with having failed to remit premiums he had collected from insured to companies he dealt with as a broker. He was licensed as an agent and broker.

Nebraska Forum Held on the Auto Rate Problem

(CONTINUED ON PAGE 25)

as well as in the present day designs of automobiles, all of which, in our judgment, are self-evident facts.

"With respect to bodily injury cases, the periodic shock verdicts are a matter of common knowledge. The activities of Assn. of Plaintiffs' Counsel are perhaps not quite so well known outside of the industry. However, it is a fact such an association is working effectively, using its best legal talents to educate plantiffs' attorneys in the means which should be employed in the courts to secure 'more adequate' verdicts. This activity has only recently begun. Its effects are beginning to be observed but it is certain that these effects will multiply rapidly in the months and years ahead. These conditions are well known and undoubtedly have contributed to the increased average costs. It is our sincere conviction that they cannot fail but to produce additional and probably substantial further increases in the average size of claim settlements. Even those verdicts which in themselves are not excessive are increasing in size, and properly so, because of the reduced purchasing value of the dollar. These factors all exercise their influence also on cases settled out of Court.

Prospect Is Perilous

"We believe that the code requires that automobile rates shall not be excessive, inadequate or unfairly discriminatory. We respectfully submit to you that in our opinion adherence to the rate-making formula which has been hitherto effective must produce inadequate rates. The consequences of the adoption of such a rate basis will represent a perilous prospect for many companies.

"It is our conviction that to postpone making rates on a realistic basis, utilizing a trend factor based upon the many signs pointing to the necessity therefore which are cogent and convincing will delay the necessary remedy, to a point of real danger. We do not believe that a large percentage of companies can make up rate shortages out of their surpluses during the time which will be required to produce a correction on the rate levels if such rates are based wholly on past experience. This situation is aggravated even more when it is realized that if a rate increase is adopted, say as of July 1, one-sixth of the renewal business (July and August renewals) has already been placed at the old rates and will not be subjected to that rate increase until 13 or 14 months from the date the increase took effect. A careful calculation of the earned premium effect in the case of our company from the automobile B. I. and P. D. increases approved during the year 1951 produced about $140,000 of additional earned premium on a total bodily injury and property damage volume of $15,400,000."

Cahill Solicits Illinois Agents Views

(CONTINUED FROM PAGE 21)

provision would provide an additional margin in the rate structure for unknown or unmeasurable adverse trends which work to bring about inadequate rate levels. Further, it would improve the industry's position in trying to raise new capital to meet the demands of our expanding economy and would help to attract multiple-line companies to the casualty field by offering the same 5% margin in the rates as that approved for profit in fire insurance.

Offer Hope for Stockholders

"Furthermore, we must offer to present and potential stockholders the possibility of earning a reasonable profit commensurate with the risk involved. The fact that the stock companies had an underwriting loss of over $200 million in writing automobile liability insurance countrywide since 1946 is proof positive that this is a risk and not an investment business and should offer a higher possible return to investors than that of purely investment companies. Certainly 5% of premium is both a modest fee for an insured to pay for the assumption of his risk of loss and a moderate return to those who have invested money in the casualty insurance business. Such a return is extremely low in comparison with those of other industries against which we must compete in attracting investment dollars. Certainly if 2.5% was reasonable when there was little or no federal income tax on earned profits, 5% is now reasonable with a 52% federal normal and surtax income tax which takes its cut in the good years and yet offers little relief in periods of underwriting losses."

On a common rate level, the 1951 loss ratio for auto BI is 24% above 1949. The loss ratio for PDL has risen 42% in the same two years.

The proof, if any were needed, that the present rates are inadequate is the insurance market situation. A tight market is not to the liking of either companies or producers. However, this is inevitable when a line of business continues so unprofitable as to threaten solvency. Auto liability premiums constitute nearly 50% of the total present casualty premium volume for many companies. Severe underwriting losses on such a high percentage of the business just cannot be absorbed without impairing solvency and many companies have necessarily had to restrict their writing of this business. This situation can only be remedied by adequate rates.

Surface Solution

Increased rates, however, are only a surface solution to the basic problem of rising automobile liability insurance costs.

A real solution can only come through an awakened consciousness toward the entire automobile accident problem and its basic causes. "The terrible apathy which enshrouds the American public must be removed before we can reach the basic causes."

"We should not be ashamed of our record in keeping the cost of automobile liability insurance protection down. Our rates have actually increased far less than the price or cost of many things which directly affect the loss experience."

The lowest private passenger car BI manual rate for Springfield was $17 in January, 1940, and for Chicago, the corresponding manual rate was $34. Today the class 1 BI rate for Springfield is $18 and for Chicago, $36. Thus the BI manual rate for nearly 75% of the cars in Springfield has increased only $1 since January of 1940, and in Chicago the increase has been over $2. "This is truly remarkable when we realize the increase that has occurred during this period in the cost of living, wage levels, hospitalization, physicians' fees, etc."

The lowest private passenger car property damage manual rate in January, 1940 was $7 in Springfield and $11 in Chicago. The corresponding present manual rates are $13 and $22 respectively, representing an increase of 86% in Springfield and 100% in Chicago. A comparison of these percentage increases with the increase in automobile prices is very interesting. In 1940, a 4-door deluxe Chevrolet sedan bore a factory list price of $802; today the comparable model costs $1,765, an increase of 120%.

"When we further add the higher taxes, freight costs and 'extras' of today, it is evident that the increase in the cost of cars is nearly half again as great as the corresponding increase in property damage insurance rates for the great majority of private passenger cars."

"Furthermore, when we compare the cost of automobile liability insurance with the price of a new automobile, the percentage relationship is almost unbelievably small today. For most private passenger car insureds, the annual cost of automobile liability insurance runs only 2% to 3% of the initial cost of a new car."

Aulehbach Elected New Pennsylvania President

(CONTINUED FROM PAGE 8)

save the automobile insurance business, he said.

All that the insurance business, including agents, have been providing over the years through voluntary security is now challenged by compulsory, government security, Joseph A. Neumann, Jamaica, L. I., member N.A.I.A. executive committee, stated in his talk. What insurance has accomplished in the past 200 years needs no apology, is rather a cause for boasting.

Public relations today is a necessity for the business, he declared. Agents sell something the purchaser cannot see, feel, or taste. Alarming as is automobile accident frequency today, only about one in ten policyholders have the opportunity to use the product they have bought. In fire insurance it must be one in thousands. Consequently, the reasons for telling the public the insurance story is far more important than in other lines of endeavor.

Modern Merchandizing Needed

With telling the public must also be coupled modern merchandising, he said. Here the business has lost ground because the packaging in insurance has been less attractive than that offered by other businesses. The insurance business has by no means reached perfection. Only one thing motivates what ingredients make up the product offered, and that is public appeal. The business cannot afford to ignore that appeal, if private insurance is to survive. Those in the business can "insure insurance" if all in it tell the true story of insurance and bring home to the public the weaknesses in compulsory security.

Fire Prevention, Education

William J. Graul, Allentown, chairman of the fire prevention committee, discussed the planned activities of the various boards of the state for fire prevention week. While at Wernersville, Mr. Graul held informal meetings with the presidents and fire prevention chairmen of the boards, discussing how they can exploit the week to their special advantage in the field of public relations.

Aaron S. Feinerman, Harrisburg, educational chairman, emphasized National Assn. courses being given at Pittsburgh, Philadelphia, Harrisburg and in Blair County, the latter three by the insurance women's groups. The state college conference in June attracted 148, and an outstanding feature was the agents' panel on agency problems.

Fire Protection Engineers Society Leaders Confer

Leaders in Society of Fire Protection Engineers were in conference at Chicago for three days this week, the meetings being timed to coincide with the Century of Engineering observance there. It was specifically a meeting of the executive committee and of the qualification board. There are now some 600 members in the society and there were 200 applications to be reviewed. At a luncheon Tuesday attended by about 150, John Neale, chief engineer of National Board, was the speaker. John Ahern of Illinois Institute of Technology is the president; Elmer F. Reske, manager of Cook County Inspection Bureau is vice-president; Robert S. Moulton, National Fire Protection Assn., is secretary. They were all active in this week's sessions.

May Be Probing Insurance

MIAMI—Possibility that the Dade county grand jury was undertaking an investigation of the county school board's insurance program was disclosed when a list of jury expenses included a bill for photostats of school insurance records. Dade is the county in which Miami is situated.

R. L. Dressel, grand jury foreman, declined comment. He said the jury had several investigations under way. Greater Miami Insurance Board, which lost the school board account in July, 1951, has been highly critical of the manner in which the insurance has been placed since that date. There has also been debate over whether the insurance could be placed legally with mutual companies.

Insurance Women of Racine, Wis., entertained their bosses and the employers' wives at a picnic supper. Miss Catherine Prieskorn was chairman.

Warren P. Landon, newly appointed assistant manager in the Pacific Coast department of Northern Assurance, formerly has been supervisor, and Walter E. Alair, who becomes resident manager at Los Angeles, was formerly superintendent of agents at Los Angeles.

Warren P. Landon

Walter E. Alair

Insure the Driver Plan Is Delineated by N. H. Leader

At the recent convention of National Assn. of Insurance Commissioners at Chicago Commissioner Donald Knowlton of New Hampshire presented to the casualty and surety committee a memorandum on the so-called "Insure the Driver Plan," the substance of which follows:

Some 10 years ago, we in New Hampshire gave considerable thought to a plan of furnishing automobile liability insurance on the driver of the car rather than on the automobile. While this plan had appeal to many people, it encompassed such a radical change in the present method that we encountered great difficulty in getting the technical assistance necessary to determine whether or not it was workable. Consequently, we decided to draft a bill and present it to the 1949 session of the New Hampshire legislature in order to establish a forum at which arguments both pro and con could be received. Well attended hearings were held before a joint committee of the house and senate commencing April 5, 1949. The legislature then referred the bill to an interim commission. This commission held several hearings and was continued by the 1951 session of the legislature. While the commission made no report, the 1951 legislature just prior to adjournment referred the general subject to the legislative counsel.

Two types of coverage would be provided which were called an operator's personal automobile liability policy and an owner's protective commercial automobile liability policy.

Explains the OPAL Policy

The OPAL policy would be issued to all drivers and owners of private passenger motor vehicles. It would provide full coverage to the insured and to any person operating or having control or possession of a motor vehicle owned by the assured with his express or implied consent. It would also provide that coverage for the named insured shall be excess insurance over any other valid and collectible insurance, and that coverage for any person other than the named insured shall apply only where there is no other valid and collectible insurance. In other words, this policy will cover the policyholder while operating any private passenger car, and if he owns one or more automobiles, it will cover the operation of those automobiles by any other person except that if such other person has an operator's policy, that policy will furnish the primary coverage. Persons owning a car who do not operate one buy this policy which will furnish primary coverage for persons from other states operating the car and for liability due to the defective condition of the car. The same basic limits for coverage will be required as at present. The coverage will be extraterritorial and cover on and off the highway.

The legislation offered in New Hampshire was on a compulsory basis, and we believe the operation of the plan would not create the usual objections to compulsory insurance. However, the plan could readily be adopted on a non-compulsory basis with a strong financial responsibility law such as exists in most of the states.

Operator Showing Proof

Under the New Hampshire plan, each operator must show proof of financial responsibility before he is issued a license, and every owner of a motor vehicle must show proof of financial responsibility before his vehicle can be registered. As to vehicles other than commercial, proof of financial responsibility given for the purpose of obtaining an operator's license is sufficient to cover the ownership of the car and can of course be furnished by presenting an OPAL policy.

The mechanics for furnishing insurance can be made quite simple. The insured would be required to execute a uniform application blank which would be presented to his insurance agent and contain sufficient information to enable the agent to determine the proper coverage and rate. The policy would then be issued together with a certificate which the insured would present to the commissioner of motor vehicles as proof of financial responsibility.

Features of OPCAL Policy

The OPCAL policy would be issued to the owners of commercial motor vehicles which are defined as any motor vehicle other than a private passenger car, including those owned by automobile dealers, repairmen, and junk dealers and all automobiles rented for public

hire or cars owned by a person or corporation furnished regularly to employes other than domestic, for business use. It would provide coverage to the insured and to any person operating or having control or possession of a commercial motor vehicle with his express or implied consent. Such coverage would be primary insurance over any other valid and collectible insurance. In other words, a commercial motor vehicle would be insured much as it is today except that under the law proposed in New Hampshire, the owner of a commercial motor vehicle would be made liable for negligence in the operation of such vehicle on the owner's business or otherwise by any person who is using or operating the same with his permission express or implied. This means that it would be no longer necessary to prove agency in connection with the operation of a commercial motor vehicle and is designed to provide as complete coverage as possible for the operation of such a vehicle. It is an attempt to more equitably proportion the hazard.

The reason an operator's policy is not used to cover the ownership of commercial motor vehicles is because the exposure would be so great that a prohibitive rate would be required. Obviously this would be true if such a policy were issued to the owner of a fleet. No convenient method could be devised to measure the exposure. In addition to this, there is little if any difficulty with the operation of the rating method now used on commercial motor vehicles.

Classification and Rates

No serious attempt has been made to prepare a detailed classification plan nor has any attempt been made to suggest even tentative rates. The New Hampshire department lacks the trained technical personnel for such a task. It is a study which could well be undertaken under the auspices of this committee and offers some interesting possibilities.

Essentially, the classification plan for private passenger vehicles should be based on a classification of the driver rather than a classification of the automobile or its use. This would be more equitable because the operator is, in most cases, the one responsible for accidents and not the motor vehicle. It would probably be desirable to continue to designate a reasonable rating territory for statistical purposes based on the residence of the driver rather than on the place the car is principally garaged. A limited number of classifications of the driver could be established based on his accident record and the number and nature of his convictions for violating the motor vehicle laws. The present method of classifying the vehicle produces rating inequities, particularly in situations where the car is operated by several different persons with varying degrees of care.

Such a plan would allow the careful driver to purchase his insurance at the basic rate for his classification and leave it to the person suffering accidents or convictions to make his own rate. This would be a definite incentive to careful driving. Such drivers would get the benefit of an over-all decrease in rates resulting from the additional dollars produced from those penalized by bad experience.

Judgment in New Plans

While it is true that it will be necessary to use some judgment in developing rates for this plan until accurate experience can be obtained, this does not seem to me to present an insurmountable barrier. All new rating plans had to be based largely upon judgment. In fact, the insurance industry has repeatedly demonstrated that it is capable of exercising that excellent quality of judgment so fundamental to insurance. Even as to this plan, experience is not entirely lacking as evidenced by that obtained under the present named nonowner policy. It would only be a short time before more accurate experience would be available.

The principal advantages of the plan for insuring the driver would come from the establishment of a more equitable method of rating. Numerous examples could be cited of the inequities under our present system, such as improper classification resulting from the abuse of rating plans based on mileage and the use of the vehicle. Improper classification of vehicles destroys the value of the experience reported for rate-making purposes and enhances the inequities. The age of the driver does not produce a fair method of rating. While young and old drivers as a class may produce bad experience, there are many in that class who do not deserve to be penalized. Under our present rating procedure, a person who owns one or more automobiles and is the only operator of these vehicles, pays a full premium for each vehicle, while a person owning one car with a wife and several children operating it, pays no higher premium even though there is obviously a greater exposure. Where insurance follows the vehicle, some members of a family are frequently unjustly penalized by the bad driving record of another member of the family.

Incentive to Careful Driving

Another important advantage of the plan is that it would provide an incentive to careful driving and promote safety in the operation of motor vehicles resulting ultimately in lower rates. When the public realizes, as it soon will, that careful driving pays dividends and carelessness costs more, an improvement in driving is bound to result.

There are incidental benefits, too, of great importance. The public will be relieved of the inconvenience of changing insurance and making new financial responsibility filings upon the transfer of a motor vehicle. Insurance protection will be available to more people without resorting to the assigned risk plan. It should be possible to get a clearer definition of the coverage provided and simplify the automobile policy.

Generally speaking, the opposition to the plan as proposed to the New Hampshire legislature came from the companies and the bureaus. Their principal objections were:

(1) Insurance was required before a license to operate a motor vehicle could be issued.

(2) An additional burden and expense will be imposed on the companies and agents because the plan would require the issuing of more policies.

(3) It would be difficult to establish rates because of lack of experience and the necessity of using judgment.

(4) It would increase the financial burden on a family which own one motor vehicle and have four or five operators.

These objections deserve some comment and will be taken up in the order listed:

Compulsory Feature

(1 Insurance was required before a license to operate a motor vehicle could be issued. This objection, of course, is the familiar one aimed at the compulsory feature of the plan. As I mentioned before, there is no reason why the plan could not be established on a non-compulsory basis, but we believe that many of the objections to compulsory insurance are not applicable to the plan. The compulsory feature also provides almost complete protection to the injured public and satisfies the present-day cry of those promoting security funds, unsatisfied judgment funds and the like. One of the main objections to compulsory insurance such as that in Massachusetts is that there is no incentive to careful driving. The insure the driver plan does provide such an incentive. It is also argued that claim costs would increase because juries would be aware of the existence of insurance. This argument has lost much of its force in late years due to the passage of strict financial responsibility laws in most every state. Everyone is now aware that the total number of people who are required to file evidence of insurance plus those who buy insurance voluntarily amounts to almost complete coverage.

(2) An additional burden and expense will be imposed on the companies and agents because the plan would require the issuing of more policies. It is true that this plan of insurance will require the issuance of a larger number of policies. If this were a serious problem, it is possible to avoid the issuance of any policies. This could be accomplished by giving the insurance commissioner authority to adopt a uniform form of policy with basic standard provisions. The agent would then simply issue a certificate showing insurance in effect according to the standard form, a copy of which could be presented to the Motor Vehicle Department for the purpose of obtaining a license or registration. It could be further provided that the court endorse a record of convictions on the license or registration and the motor vehicle department likewise endorse a record of reportable accidents.

(3) It would be difficult to establish rates because of lack of experience and the necessity of using judgment. This objection has been dealt with elsewhere in this memorandum.

Financial Burden

(4) It would increase the financial burden on a family which owns one motor vehicle and had four or five operators. There would undoubtedly be an increase in the cost per family if there were only one motor vehicle with four or five members of the family operating it, although the amount of such increase can hardly be estimated in the absence of a definite classification and rating plan. The increased cost might not be too great when the number of dollars needed for premiums is considered in conection with the number of licenses issued. We are led to believe that three operators could be insured for the price of insurance on one car. However that may be, a potent argument can be made justifying an increase in family costs. The whole purpose of the plan is to equitably rate the exposure. Five people operating one car should pay more premium than now charged on a car operated by one person, as the hazard is undoubtedly greater.

Proposes Subcommittee Study

It is earnestly proposed that the plan of insurance described herein be given careful and serious study by this committee. I suggest that this study be made by a sub-committee of this committee and that industry be invited to select a committee to include representatives from the automobile committees of the bureaus and representatives of the independent insurers and the agents and brokers to work with the sub-committee. The industry committee can be of invaluable aid to the sub-committee and should be invited to produce a study which would include the coverage proposed, a classification plan, and a sample of rates based on those of some fairly representative state. It is also suggested that a copy of this memorandum be attached to the report of this committee and made a part of the proposal.

MULTIPLE PERIL DEVELOPMENTS

(CONTINUED FROM PAGE 5)

may tend to reduce the cost for the unknown perils.) The all risk approach has been successful in casualty, notably C.P.L. This is a complete package at one rate for all risks.

All risk starts with almost 100% coverage — there are always some exclusions — and then is modified by additional exclusions when losses begin to come in, according to one school. The all risk policy may result in more claims because it tends to breed claim consciousness. Enough must be charged for all risk to cover the unforeseen as well as foreseeable perils. With this loading, it is argued, a named peril package policy, non-optional or semi-optional, can be brought out that is competitive with all risk. (Here rating the named perils is not difficult, at least to start; determining a discount that will be justifiable and permit competition with the all risk pack is not so easy.) Simplification of package or rate via all risk is not or should not be the deciding factor in the issue of whether or not perils should be packaged. Underwriting, marketability, and the non-discriminastory character of the coverage are more important considerations.

Situation in Commercial Field

In business and manufacturing, casualty people offer full cover and charge for it on actual exposures. Here there are no great savings in operating costs because the loss or pure premium exceeds the expense loading. The casualty people also use a schedule policy for business, with option to buyer of choosing the perils to insure.

Generally casualty business operates on the idea that exposures that involve a small, pure loss premium compared with the loading in the premium for expense can easily be integrated in one policy. But exposures that require a large proportion of the premium for losses compared with expense loading can be integrated only so far as insured is charged only for the exposures he has or has in a major way.

The C.P.L. may be endorsed on a dwelling fire policy, building or contents, the residence burglary and plate glass ditto, in a number of states. Some underwriters regard the combination of C.P.L. and automobile as more logical than C.P.L. and dwelling, as an insurance matter. But would it seem as logical to insured? The C.P.L. like the fire policy clings to situations in and around the home.

As to nonconcurrency, the vote is about even as between all risk and named peril.

OPTIONALITY

One flexibility of individual liability underwriting that will not be possible with a non-option package is that insurer cannot reach for the good lines and resist the bad, at least nearly so readily. Yet it may be exactly this flexibility that some insurers will insist upon, even though the flexibility is reduced by any system of discounting for quantity purchases. Retention of option enables insurer to protect itself and insured can buy as much or as little coverage as he wants. Oddly enough, there are two views of the present economy: that it is so good for so many people, now is the time to experiment with the package idea, and, a great many people simply do not have enough money today to pay for more insurance than they have, at least personal insurance. In the latter view, if insured can't buy what and how much he wants, he will take the fire the mortgage requires and to heck with the rest.

It is unlikely, though possible, that a named peril could be dropped from a named peril, non-optional pack, for underwriting purposes. This would be easier to do with an optional or semi-optional package. All risk insurers, however, have to rely on exclusions, or must refuse to write the risk "all risk," in which case they could still write the coverages in a combination of policies as is done at present. An all risk policy can be carefully underwritten, or so designed as to provide safeguards within the coverage, though this increases expense and reduces marketability, especially among merchants and manufacturers.

It has been suggested that the all risk policy could be sold to those in the higher income bracket, named peril to the low income. This hardly seems a satisfactory way to meet the challenge of whatever demand there is in income or whatever demand may be created by the new M.P. combinations of coverage.

Spread of Risk

Whether all risk or named peril, if the policy is non-optional, the risk is spread. This would be true also with a policy that is partially non-optional, as, non-optional in case of discount.

Since more people are sold certain coverages in a non-optional pack than would buy them separately, more people are supporting the cost of paying for losses. There can also be expected, however, more losses. The perils in E.C. such as windstorm, before the E.C. came along, appealed to and were purchased by those especially subject to the individual perils. Windstorm was bought heavily in areas where hurricanes, tornadoes and cyclones occurred frequently. Not much explosion was sold. There were outbursts of interest in riot and civil commotion during and directly after the more violent strikes, but no steady, wide sale.

Today E.C. covers thousands of persons who have no unusual E.C. hazards, though it should be pointed out, if there is an unusual hazard, there is a special charge for it; for example, aircraft cover on a factory near an airport.

Insurance to Value Is Big Thing

The important thing in connection with E.C., however, is that being a direct extension of a fire policy and having it written for the same amount as the fire insurance, that amount usually was for a good deal more insurance than insured took when he purchased the E.C. coverages separately. Many think that the same thing will happen with new package policies.

Of the three principal reasons why package policies may be sold for less money than the indivisible policy sold separately — lower cost of handling, more insurance to value, especially on theft, and reduction in adverse selection because coverages are non-optional, the third is quite important, some package proponents believe.

Advocates see as an eventual development almost all dwellings and their contents insured in package policies, with the separate coverages falling by the wayside, as has happened in connection with the separate insurances in E.C. Companies would have, in the dwelling field, no fire-casualty division at all. The home pack would—actually in some insurers will be soon—underwritten in the fire department.

There seems to be general agreement that several perils may be written in one policy for less than it would cost to write them in separate policies, if this is done non-optionally. The agent does not have to write several policies, an appreciable item of expense. He has to keep fewer records and his frequency of collection is reduced. At the home office there is a saving in writing one policy rather than several, and savings on records and collections. With certain package policies such as that for homeowners, it may be possible eventually to underwrite the package in one department. Some insurers have been combining in one underwriting division several property coverages, whether fire or casualty.

If the M.P. package results in a wider distribution of the various individual insurances, there should be a wider distribution of losses, and there may be (though not necessarily) some savings in the loss field. More comprehensive coverages written in one insurer should tend to reduce litigation, claim costs and arbitration.

Package policies will cost most householders more money than they have been spending for the insurance they presently have, it is said, and they can't take it off their income tax as business can. The big premium which a multiperil package implies probably will force the business more permanently in the direction of plans for installment payment of term premiums, especially in case of a depression. The device is available for use almost everywhere.

2nd, 3d PARTIES

Whether to include third party liability covers in a package that contains basically property coverages, starting with fire, is another basic issue in the M.P. package discussion. There are real differences in policy provisions between property and liability coverages and ergo few chances to eliminate provisions by combining. Not much simplifying and therefore saving can be accomplished. How are schedule P reserves handled? There is an orange and banana situation with respect to limits for the two covers. Another fundamental difference is that liability under liability coverage does not expire with the policy but that of property insurance does. Reinsurance practices vary between the two types of insurance.

It has always been customary to divide lines in property insurance. This is a rare practice in casualty and is not likely to be done because of the additional expense. Property insurance usually can be written for term; the practice is not so prevalent in casualty. Few property insurances call for audit to determine the final premium; in casualty this is more frequently the case.

Other Problems of Combination

How are state taxes to be handled to avoid overpayment or underpayment? What about insurance to value (coinsurance), common in property insurance, unknown in liability? The charges in the manual for excess limits of liability do not resemble the rate penalty for maintaining less than insurance to value of property in property insurance.

It is doubtful if a single insuring clause could be developed for a policy combining third party liability and property coverages. Automobile B.I. and P.D.L. and physical damage are combined in one policy. The combination, however, is due largely to the single character of the unit insured. There are no savings because of such combination, though single, one write full cover automobile policies are being developed which do affect some savings, by reducing the number of policy writing processes and at the same time reducing company statistical records.

Inclusion of the C.P.L. in a dwelling pack seems logical because of the homogeneity of the insurance interest involved. Here is a large body of insured which has the same, or at least basically the same, hazards. In this market inclusion of C.P.L. is not subject to all of the criticisms to which it theoretically can be subject because the class is homogeneous, lines are seldom split, limits of liability are low and the amount of property being insured is small.

In the M.P. package development the influence of tighter state regulation cannot be overlooked. This makes it much harder to experiment in uncontrolled areas as the companies did with the inland marine lines.

ON SIDE OF LAW

There is some question whether companies in some states have the necessary power to write all risk contracts of the multiple peril package type. It is conceivable that such a package would cover hazards which the home state's statutes do not grant its insurer the power to write. With a named peril package the perils can be compared with the powers statute in each state. Only two states, Ohio and Arizona, now do not have multiple line underwriting laws. (Ohio may get one next year.) However, in states where the M.L. section of the law covers specific kinds of insurance or their combinations, can insurers write beyond those specifically named coverages, particularly all risk policies?

There are in many states, sections of the powers statutes which grant miscellaneous powers. In general these permit insurance against any other kind of loss, damage or liability which are properly the subject of insurance and not within any other kind or kinds of insurance as defined, if the insurance is not contrary to law or public policy. Even Ohio has such a section.

Most of the 46 states where the 1943 New York standard fire policy is in effect require that policy to be used for all contracts of fire insurance. But California now permits use of the standard fire policy by reference, and there is no necessity to file a policy before beginning to use it. In Pennsylvania the standard policy is not required where other kinds of insurance are involved along with fire. North Carolina has amended its statutory fire policy law to make it inapplicable to inland marine cover. The New Jersey law permits endorsements to the fire policy that insure interests in property. But by interpretation this does not cover third party liability insurance; the Louisiana law is similar.

Role of Interpretation

Connecticut has interpreted its standard fire policy law so as to exclude the combination with fire insurance in one policy of theft and some other property insurances. Thus the road is by no means open ahead, even after the business reaches some kind of settlement of its internal difficulties with respect to M.P. packages.

The law comes into play also in connection with rating bureaus, and their use for the filing of M.P. packages. A bureau licensed for fire, or inland ma-

rine, or casualty, or surety, etc., has jurisdiction over the kinds of insurance for which it is licensed as a rating organization, but no more. Some rating bureaus, for example some state fire rating bureaus, have modified their charters to extend jurisdiction over M.P. package policies, which would seem to cover the point.

Bureau Cooperation

Thus there is the question of what rating organization is to handle packages; what existing rating bureaus are capable of doing so and may be called on in the future to do so. Cooperation of bureaus is permissible under the all industry rate regulatory laws and has been practiced for M.P. purposes.

In North California, the insurance department has indicated its intention of following the existing bureau, cooperative method of handling package policies. There the commissioner indicated that the jurisdiction of all statutory and licensed bureaus would be preserved. Package policies would be submitted to each bureau having jurisdiction over a portion of the policy, with collaboration in developing forms, rules and rates or the waiving of jurisdiction.

The stability, size and character of market would bear importantly on the package and its statistics. For example, a large, homogeneous group such as homeowners is not apt to produce sharp, unexpected variations in experience, unforeseen and unplanned for by underwriters in devising the coverage.

Yet the manufacturers output policy, involving vastly larger but vastly fewer units and fewer coverages (no third party, for example) has had very poor experience. Under it have arisen some serious, possibly foreseen losses, such as the Kansas City flood, and some very large losses that were perhaps wholly unforeseen, such as the TV cabinets that were ruined in damp storage.

The size of market may be the key to success of the M.P. package. This is a considerable larger and more complicated problem in the commercial field.

Possibilities in Commercial Fields

In addition to the dwelling field, which provides a large, homogeneous market for an M.P. policy, there are being discussed comprehensive coverages for mercantile risks and manufacturing risks, each a large and to some extent homogeneous group.

A package policy to succeed in the mercantile or manufacturing field would have to be devised so the perils insured against are sufficiently recognized (at least most of them) by most of insured in either or both of these fields so that the insurance will appeal. Only thus will the market be large and only in this way will the potential sales development be probable rather than merely possible.

At this point, it does not seem likely that in the business and manufacturing field a package policy would be devised to contain all or even substantially all of the insurances needed by insured, as with homeowners. (Note Founder's inclusion of auto coverages on optional basis at least in its M.P. package for homeowners.) Business forms are apt at least to divide into third party liability and property coverages. But such a pack might combine fire, E.C., time element coverages, theft and even fidelity; with another package combining all of the third party covers including fire legal liability.

What About the Agent?

Can the agent be convinced the package policy will develop enough new premiums to make his effort worth while? The dwelling business of the country is closely controlled by agents. Consequently their cooperation in this area is essential.

Protective considerations may have much to do with how the agent reacts. The new agent trying to get into an area will have something to offer with the M.P. policies. Consequently the older agent will have to protect his business by offering them also. There are examples of agents who have tackled the package policies with real vigor and excellent results. These examples are infrequent, and the best guess is it will take some time to warm up the agency forces.

In multiple peril is the business talking about a big matter as to potential premium income? Will there be new premiums with the wider spread of some of the covers in the package? Looking back, E.C. has brought in new business, has given the public a more satisfactory cover.

Many of these and other questions will be answered only by the future.

CORRECTION

In the multiple peril story published July 24, it was incorrectly stated that Fireman's Fund's comprehensive dwelling policy is a continuous contract. At the instigation of California Assn. of Insurance Agents, this feature of the policy was eliminated.

In the story published on this subject July 31, it was incorrectly stated that National Insurance Advisory & Service Organization is a rating organization; it is advisory only, for both multiple location and multiple peril matters.

In the July 31 issue it was stated that American is writing more and more casualty business and Bankers Indemnity's volume is decreasing. As of last Jan. 1, Bankers Indemnity entered into an agreement with American under which the former's business is automatically reinsured. At that time American reinsured all of Bankers' outstanding liability. American has replaced Bankers in agencies, for casualty, or will do so, except for Ohio.

Traces Government's Insurance Role

(CONTINUED FROM PAGE 7)

of Defense? In that case the government might well say to the contractor, "You do not need to buy any property insurance on the materials you are processing for us. In the event of a loss we will reimburse you and spread the cost over our entire production program."

Other Fields

The same technique might be applied to workmen's compensation, public liability and automobile insurance, at least in the case of contractors who are working full time for the government.

Another proposal before Congress, the "War Disaster Act of 1951"—S. 1848, had as title III, under the heading, "Property Indemnity" provision for the creation of a War Damage Administration. It stated:

"Immediately upon the organization of the Administration, the Administrator (1) may encourage and assist states and localities in classifying and providing for the preservation of adequate records on costs, values and ownership, and shall perform such functions himself when they would not otherwise be performed, and (2) he shall prepare for distribution, if and when required, appropriate claim forms with accompanying instructions . . . ." If this bill should be passed and this provision carried out, the government would have a uniform record and classification of the values and ownership of all the real and personal property in the country.

With that information it would be a relatively simple thing for the government to pay not only war losses, but also peacetime losses caused by fire, windstorm and other named perils.

The government has, for years, been advancing its socialistic program on the excuse of necessity created by some crisis.

Does it require much imagination to visualize the government using all of that data to spread the losses by fire and other perils over its entire budget, thereby eliminating private insurers and their entire sales and field forces? After all, what is a mere $700 million of annual fire loss to a government whose current budget totals $85 billion a year?

The government is gradually gaining experience in insurance underwriting by insuring hazards which private companies cannot handle.

One of these is the all-risk coverage on growing crops written by Federal Crop Insurance Corp. At present this coverage is written on a very limited basis. Since private companies believe they cannot write the all-risk protection, the government moves in and includes not only hail coverage, which private companies do write, but also fire insurance on tobacco in storage warehouses.

Two other coverages which the companies have been glad to turn over to the government are marine and aviation war risk insurance. You have also heard considerable talk about the great risk to which private companies are now exposed from atomic explosion of a nonwar nature, which many underwriters would like to transfer to the government.

Protection against loss by waves driven by wind, and earthquake insurance would easily be within the range of present government thinking—perhaps even forest fire insurance covering standing timber owned largely by the rural population. And there are several plans of flood insurance now before Congress.

The trend of government activities of an insurance nature in recent years all are potentially pieces in the government's program of furnishing aid to the people without much reference to cost.

A definite part of the socialization program of the planners is for the federal government to take over all workmen's compensation insurance and integrate it with medical, hospital and income benefits for non-occupational accidents and sickness. Representatives of the government, both of the federal security administration and the Department of Labor, are missing no opportunities to advance such a plan. CIO in a recent convention voted unanimously in favor of the ultimate enactment of a national workmen's compensation law.

Government officials acting through the Inter-American Conference on Social Security, an offshoot of the International Labor Organization, have been promoting the socialization of W. C. insurance, socialized medicine and other government benefits throughout Latin America. They have been successful in taking W. C. insurance away from the private companies in Mexico and in Brazil in recent years.

But the activity in the Western Hemisphere is only a sideshow compared with what is being done to socialize insurance throughout the world through the machinery of International Labor Organization in Geneva.

"Cradle-to-Grave" Security

ILO has a convention to provide "minimum standards of social security" to employed persons through compulsory governmental action in every country which is a member of the ILO.

These "minimum standards" include medical benefits, sickness allowances, unemployment allowances, old age and survivors' pensions or allowances, invalidity pensions or allowances, family allowances, medical benefits in case of maternity and maternity allowances.

This list runs the gamut of socialized medicine, sickness and accident benefits, including the coverage now granted under W. C.—a full cradle-to-the-grave program complete.

Would the U. S. Senate ratify a treaty of that kind? Mr. Kirkpatrick hopes not. The Senate's action will depend to a large extent upon the alertness of the people, including insurance counsel and other businessmen.

Mr. Kirkpatrick interviewed Sir William Beveridge when he came to this country in the early 1940's, shortly after the publication of his famous report embodying Britain's cradle-to-the-grave social security program.

It was the most discouraging inter-

view he ever had. Sir William's whole philosophy was based on the assumption that it is not possible any more for a young man to work, earn, save and buy insurance to provide for himself and his dependents during his working years and his old age. The government must subsidize him out of general tax funds by giving him free medical care, hospital and other benefits, an income to him if he is sick or injured, incomes to his dependents in the event of his premature death and a retirement pension for the worker himself—the program now quiring the skill and training of experts. espoused by the socialist through the ILO for the whole world.

Insurance is not only a great private business. It is also a mechanism for spreading individual losses over the many. That mechanism, when honestly applied to all persons in a class, becomes a highly scientific operation requiring the skill and training of experts.

But in the hands of government, where discrimination in favor of those with the greatest need is a social virtue, an abused and subsidized version of the mechanism may be quite simply and easily applied without much need for adherence to scientific or actuarial principles. It is this fact that constitutes the threat to the private insurance business.

Tells How to Sell More B.I.

(CONTINUED FROM PAGE 9)

item form except that 80% contribution is mandatory.

The difference between gross earnings and two item forms is in treatment of ordinary payroll, primarily, he said. If insured wants to insure the wages and salaries of all employes, he will probably select gross earnings unless the premium is so much higher than the two item form as not to be justified by the broader coverage. The gross earnings form relieves the buyer of the necessity of deciding before the loss which of his employes are classed as ordinary payroll. Practically, however, it is advisable in the case of mercantiles, especially small ones, to avoid placing on the prospect the burden of choosing between the two forms. He suggested confining description of coverages to the gross earnings form, to simplify solicitation. It is the best contract for mercantiles.

Basis of recovery under the two forms is practically the same. The work sheet for determining insurance under gross earnings requires only sales and cost of stock including supplies; that for the two item form requires sales, cost of stock including supplies, expense of heat, light and power, and expense of ordinary payroll.

A comparison of cost between the gross earnings form with 50% contribution and the two item form with 90 days ordinary payroll cover shows the cost to a Pennsylvania merchant is lower under the first if the percentage of the sum of ordinary payroll, heat, light and power to gross earnings is less than 46%, which is very frequently the case. But the cost for a Pennsylvania manufacturer of the gross earnings form is lower only if this percentage is less than 30%, seldom the case. Consequently, only a few Pennsylvania and eastern manufacturers buy the gross earnings form, though it is the better contract.

Need Service Risk Form

Unfortunately, he said, the two item form continues to be the only one available in the Pennsylvania territory to hotels, restaurants, theaters, bowling alleys and other service selling businesses. He hopes for early agreement on a revised definition of gross earnings to restore the gross earnings form to nonmanufacturing risks of the service selling type.

Unfortunately many agents shy away from U. & O. because they fear it is difficult to determine the correct amount of insurance for compliance with the contribution clause, he said, yet the physical damage insurance policy is based upon the value of the insurable interest, which does not prevent them from selling that insurance. With the proper work sheet, determining the amount of U. & O. is really simple, compared with determining the insurable value of a building.

The No. 3 deterrent to the sale of cover is reluctance of prospects to reveal the figures of their business. Mr. Klein said the work sheet used to determine the required amount of insurance is not a part of a policy nor must its details be disclosed to the agent or the underwriter. All the agent needs to know is the amount of gross earnings or the difference between gross earnings and the sum of ordinary payroll and the expense of heat, light and power.

How to Get the Figures

In neither case does the final figure disclose, or give any clue to, profits or the salaries or the taxes of the prospective purchaser. Therefore, U. & O. should not be represented as merely profits insurance since it also indemnifies for necessarily continuing expenses not being earned. If the agent tactfully explains that information as to the prospect's profit, salary and taxes is not needed, he should have no difficulty in securing figures that determine the amount of U. & O. required. He then described the steps in which the agent could use this information to make a sale. If the agent needs help, he should call on his field man. He knows one group of field men who help agents make sales in one out of very two solicitations. The field men, however, should be used only to get started.

There are 2,227 cities and towns in Pennsylvania containing businesses with commercial ratings. If only two gross earning policies for $100 each are sold in each of the towns of 5,000 population or less, plus five policies in towns of 5,000 or more, plus 25 policies each in Philadelphia and Pittsburgh, the additional premiums would aggregate $500,000 with approximately $100,000 in commissions to agents.

Carlson Gives Ore. Agents Basic Facts of Auto Situation

Agents who learn the facts about current automobile liability developments and their underlying causes and who will work to disseminate those facts will be helping out not only themselves, but also the casualty insurance business, Thomas O. Carlson, actuary of the National Bureau of Casualty Underwriters, declared in his address at the Oregon agents meeting at Portland this week.

Mr. Carlson stressed the role of the agents in the education of the insurance-buying public as respects the rate structure, the reasons for rate changes and the necessity for developing more effective means of dealing with the problem of mounting automobile accidents. He prefaced his explanation of ratemaking procedures by putting forward several points about automobile liability statistics that are frequently misunderstood by the public, and he urged the agents to recognize and to scotch these misapprehensions as they arise.

Explains Loss Assignment

Probably the most troublesome misapprehension he commented, is in regard to how losses are assigned to territory, explaining they are assigned to the same territory as the premium on the policy, which is the territory where the car is garaged, regardless of where the accident occurs. Only by such assignment will the losses and premiums be comparable. If a town is on a main highway, for example, it is not the losses chargeable to the out of town cars streaming along that highway which determine the experience reported for that town, but rather the losses for which cars garaged in that town are responsible.

Experience cannot reasonably be compiled for any except the larger cities however, because a too refined subdivision would result in bodies of experience so small as to be meaningless for averaging purposes, and the burden of statistical work to companies and rating organizations could become too expensive and time-consuming to be practicable.

The term "underwriting loss," Mr. Carlson declared, is frequently confused with the incurred losses. Incurred losses, too often loosely referred to as "losses," are the insured losses for which the companies are responsible under the insuring clauses of the policy. Out of the premiums must come not only such insured losses, but also all expenses of conducting the business, he pointed out. Underwriting loss is the excess of the incurred losses and the incurred expenses over the earned premiums.

Mr. Carlson also emphasized that when the experience is analyzed for the determination of rate changes, adjustments are always introduced to reflect the level of premiums currently being charged so that the required changes in rate level are measured directly from the existing rates and fully reflect any changes in rate level that have been made effective previously.

Other misunderstandings he discussed were those arising from the use of paid losses instead of incurred losses and written premiums instead of earned premiums.

Must Use Crystal Ball

In explaining the rate revisions developed for promulgation in 1952, Mr. Carlson stated: "We are faced with the necessity of determining rates which will be proper for the settlement of losses arising out of accidents occurring on the average more than a year in the future and to be settled on the average in terms of what the dollar will be worth more than two years from now."

Under such circumstances, he added, "the answer is clearly to project into the future." He explained that the adverse results suffered by the companies in recent years, culminating in a $100 million underwriting loss for stock companies on the automobile liability lines in 1951, were due largely to the fact that projection had not been incorporated in previous rate revision programs.

Mr. Carlson emphasized, in his analysis of accidents, that the pedestrian and the parent need education as well as the driver. An analysis of the actions of drivers resulting in deaths and injuries reveals that the vast majority of accidents are preventable. Four causes, excessive speed, driving on the wrong side of the road, not having the right of way and reckless driving account for 87% of the deaths and 83% of the injuries caused by motorists.

"The apathy of the American people toward any serious problem can be astounding," Mr. Carlson stated. "But the efficiency with which they can deal with that problem once they have been aroused to the necessity of dealing with it can be even more astounding. The difficulty lies in the arousing. No effort in the direction of education to this end is wasted. We learned in prohibition days that law enforcement cannot succeed without the will of the people to back it up."

Simultaneous Fire Drills for All Schools in Ala.

Alabama Assn. of Insurance Agents, in conjunction with State Fire Marshal J. V. Kitchens and the radio stations, is inaugurating a simultaneous fire drill in every school in Alabama on the morning of Oct. 7, 1952. This will be called, "Operation: Fire Drill."

The program will originate from Montgomery. The state director of civilian defense will make a talk, and Mr. Kitchens will outline the importance of fire prevention. Every radio station in the state has been asked to cooperate and carry this program as it originates so that it may be heard in every school. The response from these radio stations has been 100% "yes."

The agents association has agreed to provide in every school radio sets so that the program can be heard by all children.

Mr. Kitchens will conclude his program by giving a signal for the fire drill and simultaneously all school children in the state will participate in an orderly fire drill which it is agreed will be the impetus that will inspire school officials to continue the practice on their own.

Detroit Agents Plan Complete Education Sessions

Detroit Assn. of Insurance Agents has announced its educational program for the fall and winter months. The association education committee has developed an extensive series of courses in cooperation with Insurance Women's Club, Michigan Fire Underwriters Assn., Casualty & Surety Executives Assn. of Michigan, Michigan State College, University of Michigan, Wayne University, and Michigan Association of Insurance Agents.

A junior school for agency office personnel will begin Sept. 22 covering all types of insurance except life. This course covers all phases of office operations and part of the instruction includes talks by representatives of Michigan Bell Telephone Co. on telephone procedure and of business machine companies on care and use of common types of office machines.

A survey insurance course at Wayne University is offered in all branches of insurance for graduates of the junior school. This is for students who have had two or three years of experience, and two classes will be conducted during the full school year to be taught by Professor Hampton Irwin.

License examination courses will be given in the association school room, patterned after the six-day license examination course conducted by Michigan State College. The first of these will be Nov. 16-22, the second will begin March 1, 1953.

A correspondence course in fire, marine, casualty and surety for students who cannot attend the Wayne University schools is available through the University of Michigan.

Agent Underwriting Course

Michigan State College is collaborating in a practical underwriting course. These sessions are conducted by a group of cooperating fire and casualty field men working with Carl Strong, insurance coordinator of Michigan State. These are two or three day classes covering only one subject, and are given in the various cities throughout the state. The first will be a fire and casualty session Oct. 20-21.

University of Michigan is collaborating in the C.P.C.U. study course through the extension division. Classes in this begin Sept. 22.

A night school is conducted at the University of Detroit school of commerce for prospective insurance buyers. This is under the direction of C. M. Verbiest of the Detroit association.

The agents have also available auxiliary courses through the Detroit association including a speakers' course, beginning in October, a sales course for younger men to develop sales technique under Professor Irwin at Wayne University, and a reading course conducted by a member of the Wayne University school of business to instruct executives on how to cover more reading material in a shorter period of time.

All Set for Cleveland Rally

(CONTINUED FROM PAGE 1)

politan and large lines agents conference. H. Herbert Corson, Nashville, will preside. Emil L. Lederer, Chicago, chairman of the committee, will make a report.

There will be a discussion of "Casualty Capacity Problems" by Joseph A. Neumann, Jamaica, N. Y.

J. C. O'Connor Slated

J. C. O'Connor, editor, Fire Casualty & Surety Bulletins, will give a discussion of the "Technical Problems of the Large Lines Agents."

A panel discussion on "Streamlining and Simplification of Office Procedures" will follow, led by Frank A. Doyle, Baltimore, and assisted by Thomas A. Harman, Seattle, and Harry Pritchard, Detroit.

There will be a rural and small lines agents conference running concurrently in the Carter Hotel. Glen J. May, Spencer, Ind., will preside. He will give a discussion on the "Purpose and Future of Rural and Small Lines Agents."

Barney W. Phelan, Versailles, O., will discuss "Briefing Our Objectives for the Coming Year." Then will come a discussion on "Comprehensive Farm Liability Policies" by Irwin Swinehart, of Ohio Farmers Indemnity. "Farm Marine Coverages" will be explained by Paul K. Mullen, secretary of National Union Fire. There will be a film and talk on "Public Relations Activities of the Delaware County Board" by Hoyt Whitney, general chairman, Ohio rural agents committee.

Following the buffet and executive session of the board of state directors, meeting as nominating and resolutions committtes at Hotel Hollenden at noon on Wednesday, a general session will open up at 2:30 p.m. with Mr. Van Vechten presiding. There will be the presentation of the various awards to state and local associations for their achievements, followed by a talk "Who's Afraid of Tomorrow" by Dr. Russell J. Humbert, president of De Pauw University. The election of officers will follow. The new officers of the association will be installed by Guy T. Warfield, Jr., past president, at the banquet at Cleveland Public Auditorium. Oath of office will be administered by Walter A. Robinson, superintendent of insurance of Ohio.

Auto Situation Highlighted

Two answers to the serious automobile situation will be offered at the accident prevention program to be held Thursday morning in the Carter Hotel. Reginald L. Price, Charlotte, N. C., will preside at a discussion of the "Young Driver" and the "Adult Driver."

"A New Approach to Teen-Age Driving" will be offered by Frank P. Middleton, Phoenix, president, Arizona Assn. of Insurance Agents. Included in this presentation will be a showing of the film "Juvenile Traffic Attitude School."

Another discussion will be devoted to the adult driver led by Dr. Herbert J. Stack, director Center for Safety Education, New York University. Members of the panel, which will be devoted to the "Eight Hour Refresher Course for Adult Drivers," will include representatives of the Bergen County (N. J.), Essex County (N. J.), and Richmond County (N. Y.) Associations of Insurance Agents.

Another phase of the highway safety problem will be handled through a driver-testing clinic which will be set up on the mezzanine floor, Hotel Cleveland, to enable delegates and guests to test their driving ability. Included in this psycho-physical testing clinic, which will be in operation throughout the convention, will be tests for visual acuity, depth perception, field of vision, night vision, reaction time and attitudes.

Hawaii will be represented for the first time at a meeting of the board of state directors. James Y. T. Leong, Honolulu, president of Hawaii Board, has been certified as state national director and will be accompanied by his wife.

The Puerto Rico Assn. of Insurance Agents will be presented for the third year by Jose L. Hernandez, state national director. Two other members of the Puerto Rico group will also be present at the convention.

INSURANCE NEWS BY SECTIONS

IN THE SOUTHERN STATES

N. C. Mutual Agents Hold Four Sessions Next Week

The Southern 1752 Club is conducting clinics for agents at Charlotte, Sept. 16, Winston-Salem, Sept. 17, Raleigh, Sept. 18 and Kinston, Sept. 19. The principal speaker at each session will be Commissioner Cheek on "State Supervision on the Agency Level."

Paul Mize, manager of N. C. Auto Rate Administrative Bureau, will discuss the new auto assigned risk plan and auto liability rating; A. H. Field, local agent of Hickory, will discuss National Assn. of Mutual Insurance Agents accounting and procedures control.

The "How and Why of Inspection Reports" will be discussed by the various North Carolina managers of Retail Credit Co., L. E. Stiles, Charlotte; J. J. Wright, Greensboro, and L. I. Skinner, Raleigh.

Hold Business Interruption Seminar at Lubbock, Tex.

More than 120 local agents and field men from the Texas plains area attended a one-day business interruption seminar at Lubbock, Tex.

The seminar, sponsored jointly by Texas Insurance Advisory Assn. and the west Texas division of Texas Insurance Fieldmen's Assn., was the first of five to be held in the state. Others are scheduled later this year and in 1953 at Dallas, Houston, San Antonio and Austin.

Speakers at the Lubbock seminar included M. L. Canfield, state agent of Home, Dallas, who discussed B. I. forms, rates and underwriting; Walter Boston, executive general adjuster, General Adjustment Bureau, Dallas, on B. I. loss adjustment, and Joe Vincent of the Franks-Vincent agency, Bryan, who discussed the selling of this coverage from the agent's standpoint. C. N. Chapman, assistant to manager of Texas Insurance Advisory Assn., was moderator.

Richard L. Urban, special agent of Home at Lubbock and president of the West Texas division, was in general charge of arrangements for the seminar.

Shilling Rejoins Woodard

Kenneth Shilling, who for 16 months has been in Germany with the army judge advocate's department, has returned and resumed his duties as Ardmore, Okla., manager of the Woodard Claims Service of Oklahoma City.

Darden Birmingham Head

R. P. Darden, Jr., has been elected president of Birmingham Assn. of Insurance Agents due to the fact that Charles H. MacNamara has resigned that position in connection with moving from Birmingham to Philadelphia. Vice-president is Thomas A. Jacobs; executive vice-president is H. D. Snepp, Jr., and secretary is Landers Sevier, III.

Brundick & Bowles Expands

Founders of Los Angeles has appointed Brundick & Bowles, managing general agents of Jacksonville, Fla., for the state of Florida. This is its first appointment in the south. The general agency ,in addition to Founders, represents Caledonian, Employers, Fulton, North British and Pacific National in Florida.

Marmor Loses Contract Suit

Arch Marmor, Louisville local agent, lost a suit in federal court there, in which he had sued Manufacturers Fire for continuance of an agency contract with it, which the company cancelled.

Marmor in his suit alleged that he paid the company $3,047, on the promise of a company representative that if these balances were paid in, he would be allowed to continue representing the company, but that after the money was paid, his contract was cancelled.

Federal Judge Shelbourne held that the contract between the company and agent was the item to be considered in the case, not a side agreement between agency and company representative.

Burnett to Swett & Crawford as New Orleans Manager

Swett & Crawford, general agents, have appointed Felix W. Burnett, Jr., formerly agency director at Dallas for Pacific Indemnity, as manager at New Orleans.

A graduate of North Texas State, Mr. Burnett was with Continental Casualty four years in production and underwriting capacities before joining Pacific Indemnity at Dallas in 1950. He is an air corps veteran.

COAST

Recently Formed New Mex. Claim Group Names Officers

The following officers have been elected by the newly formed New Mexico Claim Men's Assn.: President, H. E. Henderson, branch manager General Adjustment; vice-president, Joseph D. Loden, claim manager Fireman's Fund; secretary-treasurer, Harold Kiess, Powell-Smith Claims Service; publicity and public relations chairman R. M. Hulsman, independent adjuster. All are of Albuquerque.

Membership totals 64, and a drive is under way to enroll claim men in the state.

Cahill Added to Program of California Agents

James M. Cahill, secretary of National Bureau of Casualty Underwriters, has been added to the program for the annual meeting of California Assn. of Insurance Agents at San Francisco Nov. 17-19. He will speak on "Current and Future Developments" in the casualty business.

Commissioner J. R. Maloney of California will give greetings to the convention. The Northern California Society of C.P.C.U. will present a technical analysis of residential insurance. Maurice Herndon, Washington representative of N.A.I.A., will discuss the national political scene. The Oakland Insurance Forum will conduct a skit on the personal property floater, and National Insurance Buyers Assn. plans a technical discussion of "The Large Risk on Your Books."

A scenic trip for the ladies has been planned for Nov. 18.

Garrett Opens Agency

Walter A. Garrett, former partner in the Ed P. Eppich & Son general agency, has opened his own agency at 736 Equitable building, Denver.

Start F.U.A.P. Fall Courses

Fire Underwriters Assn. of the Pacific started its fall courses Sept. 10. They include "Principles of Insurance and Suretyship," Allan L. Pither, coast manager of American Foreign Insurance Assn.; "Inland Marine Insurance," James S. Paulin, Commercial Union; "Fire Engineering — Advanced Rating and Underwriting," Sam E. Hays, chief engineer district B, Pacific Fire Rating Bureau; "Tariff Rating," Sam E. Hays; "Elementary Insurance Accounting," P. D. Gallagher, Great American; "Advanced Insurance Accounting," O. N. Lewis, Atlantic Mutual.

Install Oakland President

Edwin C. Smith, Jr., as the newly elected president of Oakland (Cal.) Assn. of Insurance Agents, will be installed at the organization's annual dinner Sept. 11. The dinner follows an afternoon business session.

MIDDLE WEST

Michigan Agency Honored at the 40-Year Mark

Maryland Casualty was host at a testimonial luncheon at Grand Rapids, Mich., Wednesday, in recognition of 40 years of representation by the VandenBosch & McVoy agency. Commissioner Navarre of Michigan was toastmaster, with members of the agency and of some 10 other local agencies in attendance. John T. V. Keller, Detroit, resident vice-president of Maryland Casualty, and three other company executives were on hand. Martin T. VandenBosch heads the agency and Leon J. McVey is executive vice-president.

Peet Consolidates Units

William Peet has consolidated his operations at 313 National building, Minneapolis. Peet Associates' Lake street office, formerly Dick Das Insurance Agency, was at 19 East Lake street. Mr. Peet also has opened an insurance consultation office. This will be separate from the agency and will be on a straight fee basis. Services will include insurance management on a retainer basis, refereeing of disputed claims, policy interprettion and risk analysis. Mr. Peet is a C.P.C.U.

Shaw Evansville President

O. C. Shaw, secretary of the Richardt agency, has become president of Evansville (Ind.) Assn. of Insurance Agents. He succeeds Jack Strassweg, who became chairman. William C. Meyers is the new secretary.

"Safety Is Our Business"

Fort Wayne (Ind.) Assn. of Insurance Agents used a full-page newspaper advertisement to announce that "Safety Is Our Business." The association's code of ethics was presented, with names of all the members.

Minn. C.P.C.U. Courses

C.P.C.U. classes at University of Minnesota commence Sept. 29 at the main campus. The insurance principles and practices course will be given as in the past by the C.P.C.U. panel. A course in economics, first semester, will be given by David Koefod of the faculty, and government and labor and social legislation, second semester, will be given by Arthur Naftalin of the faculty The course on insurance law will be given by William Peet, who is a C.P.C.U.

Hold "Mixer" at Madison

Madison (Wis.) Insurance Board held its annual mixer and smorgasbord dinner at Blackhawk Country Club. Field men, city, county and state employes who deal with insurance problems were guests of the agents. H. H. Bush, Jr., and Sidney Gallagher were co-chairmen.

EAST

Buffalo Fire Underwriters Assn. Names Gahwe Pres.

New officers elected by Buffalo Assn. of Fire Underwriters are: Arthur Gahwe, president; Raymond G. Christ, vice-president; Robert Rublee, secretary, and Joseph Ruh, reelected treasurer.

The officers will be installed Oct. 23 in connection with the upstate regional meeting of the state association.

Speakers Announced for Conn. Agents Convention

The speakers for the convention of Connecticut Assn. of Insurance Agents at Hotel Taft, New Haven, Oct. 7-8 include Charles Collin, New York manager of Phoenix of Hartford, Claude H. Rice, insurance manager of the Babcock & Wilcox Co.; Chief Paul Heinz of the New Haven fire department; Rhea Hurd, advertising manager of American Automobile; Frank Wagner, superintendent of licenses and claims of the Connecticut insurance department; Motor Vehicle Commissioner Charles F. Kelley; Samuel Reich, attorney, on "Insurance Agents and Their Relation to Jury Verdicts," and Ralph L. Towne, sales manager, on "Sales Conditioning—Tomorrow's Sale Today."

Schooley Opens Own Office

Douglas E. Schooley is opening his own adjustment office for companies Sept. 15 at 1010 St. Paul street, Baltimore.

He was in the general counsel's office of American Automobile Assn. at Washington, D. C., for six years and the past year as resident manager of a Baltimore adjusting firm.

Keneipp Is D. C. Speaker

WASHINGTON — Speaker at the first fall luncheon meeting of District of Columbia Assn. of Insurance Agents Friday is George E. Keneipp, director of the D. C. department of motor vehicles and traffic, on "Which Road for the Uninsured Driver?" The schedule of luncheon meetings for the rest of the year is Oct. 10, Dec. 12, Jan. 9, Feb. 13, March 13, April 10, and May 15.

Sets Up R. I. Service Office

Providence Washington has established a Rhode Island service office on the street floor level in the home office building at Providence.

It will be headed by Earl M. Haywood as manager. He has been with Providence Washington since 1923 as underwriter, special agent and state agent for the organization. Two special agents who have been associated with Mr. Haywood in the Rhode Island territory will continue in the new department. They are Norman A. Greene, fire and marine, and Franklyn P. Smith, automobile and casualty. The new service department will require a staff of about 30.

Plan Essex Get-Together

The annual get-together of Essex County (N. J.) Insurance Agents Assn. will be held at Essex County Country Club Sept. 26.

There will be a golf tournament followed by dinner, at which the new officers will be installed. Deane W. Merrill, the new president, will give a few highlights of the National association meeting at Cleveland.

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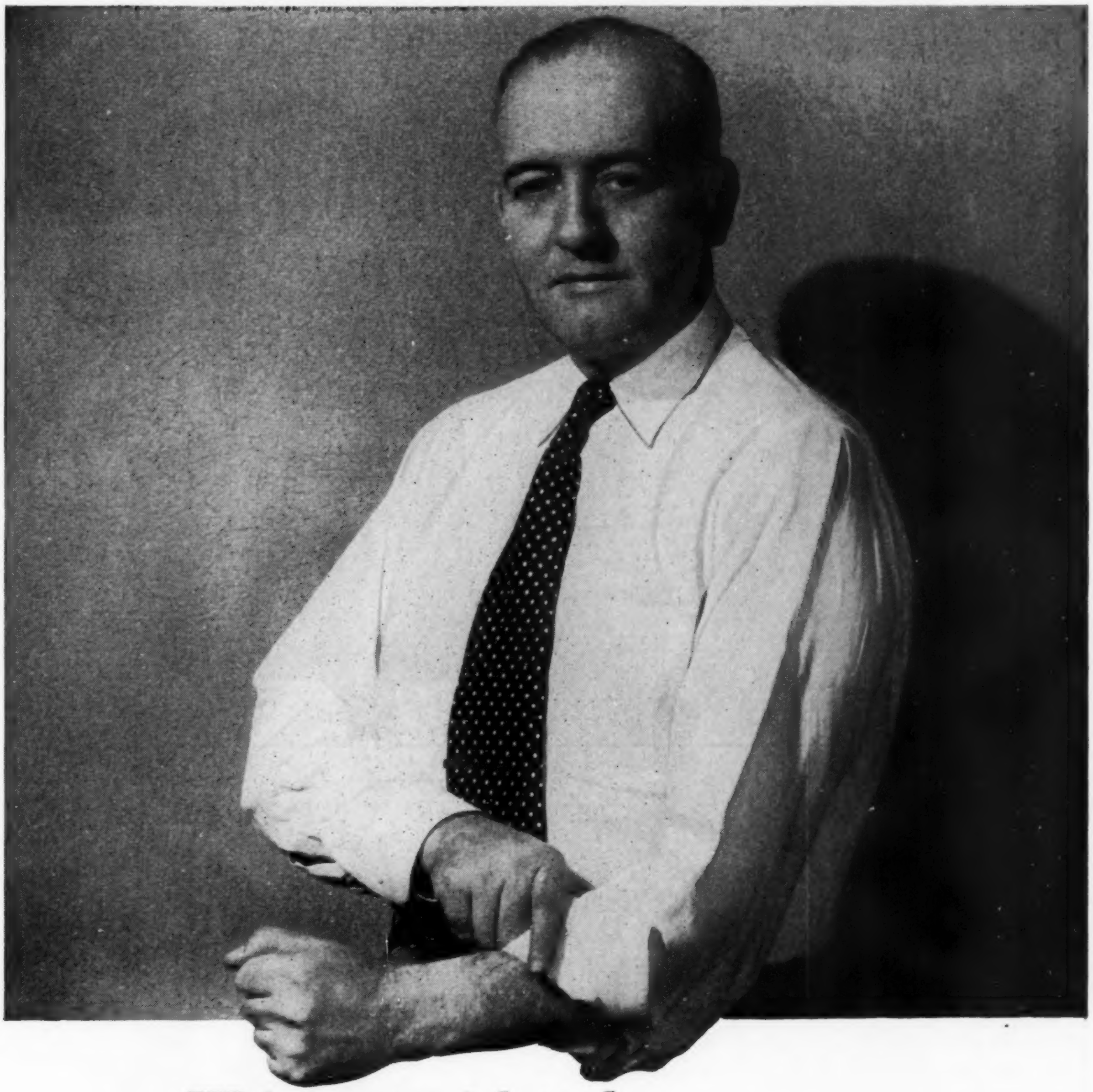

We've got a job to do

Let's face it! These are trying times for insurance men . . . *all* insurance men. Rates are inadequate. Inflation has skyrocketed losses. Belts are being tightened.

But still, people must be insured. Agents and brokers must be backed by strong progressive companies. Good service must be continued. In fact and if possible, service should be improved.

That is the job we face. And the best way we know to do the job is to roll up our sleeves and concentrate our very best efforts on those who care . . . the good, careful, reasonable risks. In this way, those who deserve the very best . . . whether they be assured, agent or broker . . . *will get* the very best in protection and in service from us.

Our purpose is to care for those who care.

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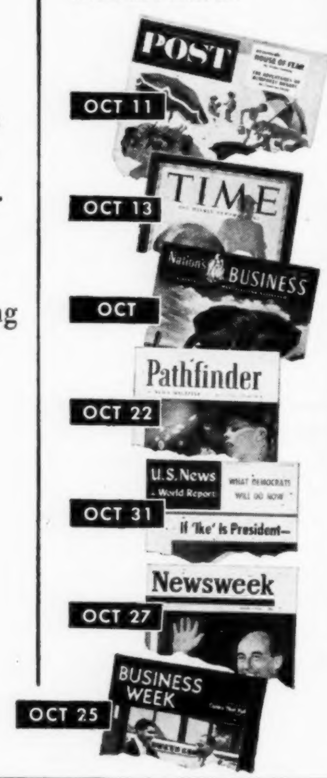

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